




Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: 10-22-13

Approved  Date *10/24/13*

COUNCIL DISTRICT: City-Wide

**SUBJECT: UPDATE ON PROPERTY ASSESSED CLEAN ENERGY
FINANCING PROGRAM DEVELOPMENT**

RECOMMENDATION

- 1) Recommend to the City Council that the following actions be taken with respect to Property Assessed Clean Energy Program Development:
 - a) Adopt a resolution authorizing the City of San José to become a member of the Western Riverside Council of Governments joint powers authority ("WRCOG") and consenting to the inclusion of certain properties within the City of San José in the California HERO Program provided through WRCOG for the financing of renewable energy distributed generation sources and energy and water efficiency improvements, subject to the negotiation and execution of an agreement with the administrator of the California HERO program to indemnify the City.
 - b) Adopt a resolution and consenting to the inclusion of certain properties within the City of San José in the Figtree Property Assessed Clean Energy and Job Creation Program ("Figtree PACE"), provided through the California Enterprise Development Authority, for the financing of renewable energy distributed generation sources and energy and water efficiency improvements, subject to the negotiation and execution of an agreement with the administrator of the Figtree PACE program to indemnify the City.
 - c) Adopt a resolution authorizing the City Manager to negotiate and execute an agreement with Renewable Funding, the administrator of the California Statewide Community Development Authority joint powers authority's

property assessed clean energy program known as the CaliforniaFIRST program for the indemnification of the City.

- 2) Approval of staff's recommendation to participate in Property Assessed Clean Energy Programs offered through joint powers authorities.
- 3) Cross reference this item to the December 3, 2013 Council Agenda.

OUTCOME

This report will inform the City Council on the progress of the City's efforts to develop a Property Assessed Clean Energy ("PACE") financing program for residential and non-residential properties in San José. City Council approval of staff recommendations to participate in PACE programs offered through joint powers authorities will make financing tools for energy efficiency and renewable energy available to the community and will assist the City in advancing Green Vision goals 1, 2 and 3.

EXECUTIVE SUMMARY

PACE programs use assessment districts or Mello-Roos (Community Facilities) districts in order for property owners to finance energy efficiency, water efficiency, and renewable energy projects on existing residential and commercial structures through a property owner's voluntary agreement to have a special assessment or special tax placed on their annual property tax bill. This provides financing for these types of improvements over time without requiring the property owner to make a large investment upfront.

Enabling legislation in California has resulted in two types of PACE programs. AB 811 was enacted in 2008 to provide for voluntary contractual assessments and SB 555 was enacted in 2011 to provide for voluntary special taxes. Both AB 811 and SB 555 authorize public agencies to establish these special districts, enter into voluntary contracts with the property owner, use of available funding from any source including existing bond issuing statutes, and attachment of the assessment/special tax for repayment of the loan/assessment to the property with billing facilitated through the property tax bill (as opposed to the individual owner)

The City has the option of establishing a PACE Program under either AB 811 or SB 555. Also, as a charter city, the City has the legal ability to enact an ordinance to establish its own program based on AB 811 or SB 555. Other jurisdictions, including Sonoma County, the City and County of San Francisco, Los Angeles County, the City of Palm Desert and the City of Sacramento, operate their PACE Programs either under State law or their own procedures.

There are three joint powers authorities (“JPAs”) in California that operate PACE programs and make these programs available within their member agencies’ jurisdictions. The City Council previously authorized the California Statewide Communities Development Authority to operate its PACE program within San Jose. Each of these programs is operated on the assessment district model pursuant to AB 811. Taking the steps to expand the availability of the existing JPA to PACE programs in San José would require little additional staff work beyond what has already been invested and thus, staff is recommending leveraging that the City authorize the other two JPAs to make their programs available in San José.

The City also has the option of developing its own PACE program. The City could utilize the State law procedures under either AB 811 or SB 555 or, as a charter city, adopt its own procedures. Administering a San José program would be very resource intensive. If a San José specific PACE program is desired, a better option would be to use a third party to administer and fund the program under a contract with the City. As described more fully below, the third party administrator option would need additional funding for outside legal counsel services and additional staff resources to develop a solicitation, establish the program and manage the third party administrator agreement. Additional considerations related to both options include a current FHFA directive which places restrictions on certain residential properties subject to or eligible for mortgages backed by Fannie Mae or Freddie Mac. Furthermore, in a San José PACE program, if a property owner failed to pay the assessment or special tax lien on the property, the City either directly or through its third party administrator, would have the obligation to foreclose on the property in order to recover the delinquent amount in order to repay the funder of the loans made to the property owner.

Given the resource considerations and other legal concerns related to the San José PACE program, staff is proposing participation in PACE programs administered by existing Joint Powers Authorities. If the Committee and City Council would like staff to continue to pursue a third party administered San José PACE program, staff will need to return to the City Council with budget recommendations as part of the 2014-2015 budget process.

BACKGROUND

The City has long been a leader in innovative environmental programs. With City Council adoption of the Green Vision in 2007 and subsequent direction from City Council to implement municipal energy efficiency and renewable energy initiatives, the City has pursued a range of financing tools to help reduce energy use and install solar on our municipal buildings. To achieve additional progress on Green Vision Goals #1- Creating 25,000 clean tech jobs, Goal 2- reducing energy use by 50 percent per capita and Goal 3- receiving 100 percent of electricity from renewable sources, promoting the installation of energy efficient and renewable energy improvements on private properties should be pursued.

During the Green Vision Study Session on March 18, 2013, the City Council directed staff to pursue issuance of a Request for Proposal (“RFP”) as a means to implement a PACE financing program in San José. Since that time, staff from the Attorney’s Office, City Manager’s Office and the Environmental Services Department has researched programs implemented by other jurisdictions.

This memorandum addresses the following: (1) overview of California PACE Programs; (2) Federal Housing Financing Agency directive related to residential properties that are subject to or eligible for mortgages backed by Fannie Mae or Freddie Mac, (3) the availability of existing PACE programs to the City, and (4) the mechanics and issues associated with establishing the City’s own program.

ANALYSIS

What is PACE?

Historically, local governments have formed assessment districts and Mello-Roos (Community Facilities) districts in order to fund public improvements such as streets, sidewalks or sewers through the issuance of municipal bonds that are secured by the assessments or special taxes on individual properties. PACE programs use these types of districts in order for property owners to finance energy efficiency, water efficiency, and renewable energy projects on existing residential and commercial structures through a property owner’s voluntary agreement to have a special assessment or special tax be placed on the property tax bill. This provides financing for these types of improvements over time without requiring the property owner to make a large investment upfront.

Enabling legislation in California has resulted in two types of PACE programs. AB 811, enacted in 2008, amended the Improvement Act of 1911 to provide for voluntary contractual assessments and SB 555, enacted in 2011 amended the Mello-Roos Act of 1982 to provide for voluntary special taxes. Both AB 811 and SB 555 authorize public agencies to establish these special districts, enter into voluntary contracts with the property owner, use of available funding from any source including existing bond issuing statutes, and attachment of the assessment/special tax for repayment of the loan through the property tax bill. Repayment of the loan through the property tax bill was intended to provide the property owner with the flexibility of having the unpaid portion of the loan run with the property in the event the property was sold before the assessment lien/special tax lien was paid off. The purchaser of the property would then assume responsibility for the remaining amount to be repaid through the property tax bill.

Fundamentally, both statutes accomplish the same purpose, allowing for capital to be provided to property owners for energy and water efficiency improvements and subsequently repaid via the property tax roll. The primary difference between the two statutes is that SB 555 allows for publicly owned buildings to be included, although these properties would need to be assigned Assessor Parcel Numbers (APNs) in order for

public properties to be included. In practice, however, AB 811 programs do include non-profit and publicly owned buildings if they can receive a property tax bill.

Federal Housing Financing Agency Directive

Assessment liens and the special tax liens take priority over private liens such as mortgages even when the mortgage lien pre-dates the assessment or special tax lien. If a property owner fails to pay the assessment or special tax lien on the property, the local government that formed the district and issued bonds to finance the improvements has the obligation to foreclose on the property in order to recover the delinquent amount in order to make payment on the outstanding bonds.

The assessment liens and special tax liens placed on properties participating in PACE programs pursuant to AB 811 or SB 555 also have priority over pre-existing mortgages. The priority of PACE liens over pre-existing loans causes concern for Fannie Mae and Freddie Mac. These two organizations were chartered by Congress to purchase residential mortgages from the original lenders in order to provide greater liquidity in the residential mortgage market. Since September 2008, both Fannie Mae and Freddie Mac have been under federal conservatorship by the Federal Housing Financing Agency ("FHFA").

In July 2010, FHFA issued a directive that Fannie Mae and Freddie Mac should take measures to "protect safe and sound operations", including among other actions, ensuring that their mortgage documents require that the borrower obtain lender consent in order to put a PACE lien on the property senior to the mortgage. The FHFA July 2010 directive was specific to PACE programs where the PACE lien has priority over mortgage liens on the property and expressly provided that it did not apply to traditional tax assessment liens, such as assessments imposed on property for public improvements. A copy of the FHFA July 2010 directive is attached (Attachment 1).

Following the issuance of the FHFA directive, the State of California and a number of jurisdictions with existing PACE programs sued the FHFA alleging that it should have followed Federal rulemaking procedures before issuing its July 2010 directive. In March, 2013, the 9th Circuit Court of Appeals overturned a lower court decision and held that the FHFA was not required to follow Federal rulemaking provisions before issuing its July 2010 directive. The decision is final and on July 31, 2013, the FHFA published in the Federal Registrar its withdrawal of proposed rules and confirmation that its prior 2010 directive is in effect, stating in part: "FHFA does not contemplate altering its policy regarding certain lien-priming energy retrofit loan programs at this time, but will continue its policy review of lending programs that would support energy retrofit and might be appropriate for purchase by the regulated entities."

In light of the FHFA directive, there is risk that the residential property owner with a mortgage purchased by Fannie Mae or Freddie Mac could violate the terms of the mortgage by entering into the PACE loan and expose the property owner to the lender exercising its remedies under the mortgage, including acceleration of the mortgage. Also,

the residential property owners with no outstanding mortgage who wishes to sell the property, may be required to pay off the PACE loan in order to sell the property to a purchaser who wishes to obtain a mortgage meeting Fannie Mae or Freddie Mac requirements.

On September 23, 2013, Governor Brown sent a letter to FHFA advising that California will establish a mechanism to address the concerns raised by FHFA and protect the interest of Fannie Mae and Freddie Mac. The Governor proposed that the California Alternative Energy and Advanced Transportation Financing Authority will create a reserve for PACE programs: An excerpt from the letter is below with the full letter attached to this memorandum (Attachment 2).

“Any PACE program that wishes to use the reserve fund will enter into an agreement that requires the PACE program to make Fannie Mae and Freddie Mac whole, as follows:

1. In any foreclosure for any losses to Fannie Mae and Freddie Mac resulting from payment of any PACE assessment paid while in possession of the property, and
2. In any forced sale for unpaid taxes or special assessments, for any losses to Fannie Mae and Freddie Mac that result from PACE assessments being paid before the outstanding mortgage.”

At the time this memo was prepared, FHFA had not responded to the Governor’s letter. Staff will update the Committee and Council on the FHFA response, if any.

AB 811 PACE Programs

There are three joint powers authorities in California that operate PACE programs and make these programs available within their member agencies’ jurisdictions. Each of these programs is operated on the assessment district model pursuant to AB 811. Each has its own policy regarding the availability of the PACE program to residential property owners.

Each JPA has retained the services of an administrator to market the programs, process the loan agreements with property owners and place the assessments on the property tax roll. These services are made available at no cost to the JPA or its member agencies as the administrative costs are rolled into the assessments that ultimately are paid for by the property owner who enters into the loan to finance the energy/water efficient improvements.

Because assessments to fund improvements to private properties under a PACE Program are different from traditional assessments that finance public improvements, prior to processing loan agreements under a PACE program, the JPA or governmental entity

sponsoring the PACE Program obtains court validation of the program to be implemented in a particular jurisdiction.

An overview of the PACE program offered by each of the JPAs and the steps that the City would need to take in order to implement each of these programs in San José and whether the applicable JPA has obtained a validation judgment applicable to San José are described below. A comparison of the three PACE programs offered through the JPAs is attached to this memo (Attachment 3). Attachment 3 also includes, for comparison purposes, the City of Sacramento's district that is operated by a third party administrator.

Each of the administrators of the JPA PACE programs has indicated its willingness to enter into an agreement with the City under which it would indemnify and hold the City harmless from the operation of their respective programs. Additionally, each of the administrators also has indicated its willingness to add the City as an additional insured under its insurance policies for commercial liability, professional errors and omissions and automobile liability. The City of San Diego conditioned its participation in the Figtree PACE and the CaliforniaFirst programs on the administrators of these programs indemnifying San Diego and naming San Diego as an additional insured on the required insurance policies.

In order to minimize the City's exposure to liability, staff, following consultation with the City Attorney's Office, recommends that the City also condition its participation in each of the JPA PACE programs on the negotiation and execution of an agreement with the applicable administrator to indemnify and hold the City harmless and to name the City as an additional insured as described above.

Additionally, the City Council has the option of limiting its authorization to commercial properties and to residential properties that are not subject to mortgages backed by Fannie Mae or Freddie Mac.

With each of the JPA PACE programs, the City has the ability to opt out of the program as described in Attachment 3. The City's decision to opt out of a particular program would not affect existing financings or financings in progress but would prevent future financings under such program.

California Statewide Communities Development Authority -- CaliforniaFirst Program

The California Statewide Communities Development Authority is a state-wide JPA formed by the California State Association of Counties and the League of California Cities. The City is a member of CSCDA.

CSCDA's PACE program is known as CaliforniaFirst and is administered by Renewable Funding. CSCDA uses an "open market" source of funding to finance the loans made to property owners. Under this model, the property owner arranges the financing with a

private lender. CSCDA then issues a bond, secured by the assessment, to the private lender.

CSCDA has suspended launch of the CaliforniaFirst residential program due to the FHFA issues discussed above, but has been moving forward with its commercial program. CaliforniaFirst's residential program will continue to be suspended until the Governor's reserve fund option has been implemented or another viable option is determined. For commercial properties to participate, CSCDA requires affirmative acknowledgement by the mortgage lender in observance of prevailing mortgage contracts.

In January, 2010, the City Council adopted a resolution authorizing CSCDA to implement the CaliforniaFirst Program in San José. CSCDA has previously obtained a judgment in a validation action for implementation of the CaliforniaFirst Program throughout Santa Clara County and to date, no projects have been completed in San José. The validation action covers both the commercial and residential components. Although the City has already authorized CSCDA's CaliforniaFirst program to be offered in San José, its program administrator has indicated that it will execute an indemnification and insurance agreement as described above.

Other aspects of the CaliforniaFirst program are described in Attachment 3.

California Economic Development Authority – Figtree PACE Program

The California Economic Development Authority is a joint powers authority formed by the cities of Lancaster, Selma and Eureka ("CEDA"). The City is currently a member of CEDA.

CEDA's PACE program is known as the Figtree PACE program and is administered by Figtree Energy Financing. CEDA acts as the issuer of the municipal bonds that finance Figtree PACE projects. CEDA issues limited obligation bonds, notes, or other forms of indebtedness secured by the contractual assessments revenue to finance improvements in the district in which it operates. These bonds are structured as either micro bond for a specific project or as a pooled bond for multiple projects before being sold to investors on the open market. CEDA has authorized up to \$500 million for the Figtree PACE program at this time.

The Figtree PACE Program is available to residential properties with no mortgages or with jumbo loans that do not meet FHFA lending criteria. Additionally, multi-family residential property with 5 or more units, are eligible as these also do not meet FHFA lending criteria. For commercial properties subject to a loan, the Figtree PACE Program requires lender consent.

In order to proceed with implementation of the Figtree PACE in San José, the City Council would be required to adopt a resolution authorizing CEDA to conduct contractual assessment proceedings and to levy the assessments within San José. On July

16, 2013, CEDA obtained a judgment in a validation action for implementation of the Figtree PACE Program throughout the State of California.

Other aspects of the Figtree PACE Program are described in Attachment 3.

Western Riverside Council of Governments (WRCOG) – California HERO Program

The Western Riverside Council of Governments (“WRCOG”) is a joint powers authority formed by various jurisdictions located in Western Riverside County. The City is not a member of WRCOG.

In January, 2012, WRCOG established its PACE program known as the HERO Program that was limited to its members in the Western Riverside region. In August, 2012, WRCOG amended its joint powers agreement in order to make its PACE program available throughout the State and named this program California HERO.

The California HERO Program is administered by Renovate America, Inc for residential properties and by Samas Capital for commercial properties. Currently, funding is provided by Renovate America, Inc. for the residential loans and by Samas Capital for the commercial loans. WRCOG then issues bonds secured by the assessments that are purchased by Renovate America, Inc. for the residential loans and Samas Capital for the commercial loans. Representatives from Renovate America, Inc. have informed City staff that both Renovate America and Samas Capital intend on securitizing the bonds in order to obtain additional funding for future loans.

The California HERO Program is available to all residential properties and consent from residential lenders is not required. The California HERO residential loan application informs the loan applicant that the applicant should review the existing loan documents in order to determine whether entering into the California HERO loan would violate the existing loan. A copy of this notification is attached as Attachment 4.

For commercial properties, acknowledgement of any existing lender for the property is required in order to obtain a California HERO loan.

In order to proceed with implementation of the California HERO in San José, the City Council will need to adopt a resolution authorizing the City to join WRCOG as an associate member and execute the associate membership agreement. Additionally, the City Council’s resolution will need to authorize WRCOG to conduct contractual assessment proceedings and to levy the assessments within San José. WRCOG has not previously obtained a judgment in a validation action for implementation of the California HERO Program in San José. WRCOG estimates that completion of the validation action to final judgment will take approximately 4 months. The cost of the validation action will be paid for by the California HERO Program.

Other aspects of the California HERO Program are described in Attachment 3.

Establishment of a PACE Program by City of San José

The City has the option of establishing a PACE Program under either AB 811 or SB 555. Also, as a charter city, the City has the legal ability to enact an ordinance to establish its own program based on AB 811 or SB 555. As a charter city, the City has enacted procedures in the Municipal Code for assessment districts and community facility districts for public improvements.

Other jurisdictions, including Sonoma County, the City and County of San Francisco, Los Angeles County, the City of Palm Desert, and the City of Sacramento, operate their PACE Programs either under State law or their own procedures. All of these jurisdictions, except Sacramento, use their staff for the formation of the district, marketing the program and administering the contractual assessment agreement for the loan of funds, placing assessments on the property tax roll, and issuing bonds secured by the assessments to fund the loans.

Formation and operation of a district with City staff is a labor intensive process and in San José would involve a number of City departments including Environmental Services, Finance, Public Works and the City Attorney's Office. Consultants, including bond counsel and financial advisors, would also need to be retained. Based on conversations with the jurisdictions listed above, it is estimated that 10-12 full-time equivalent staff ("FTEs") would be needed to develop and administer a City run PACE program. Following formation of the district(s) and prior to entering into any loans with property owners, the City would need to file a validation action and obtain a judgment upholding the validity of the program.

As an alternative to operating a PACE Program with City staff, the City could issue a RFP to obtain a third party to administer and fund a PACE Program specific to San José. The City would need to allocate staffing resources from Environmental Services Department, City Attorney's Office, and Finance Department, and funding for a period of 6-8 months to develop and issue a RFP. Sacramento is the only city to date that operates a PACE Program using a third party administrator to operate and fund a city specific program. Sacramento's program was formed pursuant to SB 555 and commenced making loans to property owners in early 2013. Additionally it would be necessary for the City to have knowledgeable staff to monitor and manage the third party administrator agreement.

As the entity forming and operating the PACE Program, the City would have greater exposure to liability than participation in a JPA structure. Under Sacramento's program, the third party administrator provides the funding for the loans with property owners and it is anticipated that the third party administrator will sell these loans to investors. In light of the securitization aspect of the program, the City Attorney's Office has advised that an outside counsel with background in securities laws should be retained in order to assist the City with drafting the agreement to protect the City's interests as well as to address issues as they may arise following implementation and during ongoing administration of

the PACE Program. The City of San Diego has taken a similar approach and budgeted \$130,000 for outside counsel with expertise in this area.

Additionally, there are other issues that should be addressed in the agreement with the third party administrator: (1) compliance with any applicable Truth in Lending or other consumer protection laws; (2) ensuring that the third party administrator has sufficient capital to fund the loans, the indemnification obligations to the City and the administrative obligations in operating the program; (3) ensuring that assessments or special taxes collected are used by the third party administrator to repay any investors; (4) addressing termination/unwinding of the program in the event that the City determines that it no longer is desirable to offer the program; (5) addressing the consequences of terminating the services of the selected program administrator.¹ With respect to terminating the program or the services of a selected program administrator, the City would need to address the collection of the existing assessments/special taxes and the repayment of the amounts owed to the applicable lenders either with City staff or a replacement program administrator.

In the event that the City were to implement its own program with a third party administrator/funder then ongoing staffing resources would be required to oversee contract compliance. Sacramento's experience indicates that 1.0 FTE is needed to monitor performance of the PACE Administrator. San José has twice the population as Sacramento, so more than 1.0 FTE will likely be needed to oversee and monitor the program. If staff is directed to develop and issue an RFP, staff would first need to prepare a request for funding to retain outside legal counsel to advise on securities laws, and the other issues identified above, in order to assist the City with drafting an RFP and an Exemplar Agreement with a 3rd party PACE administrator. The budget request would be prepared as part of the FY 2014-15 budget process and would include a funding request for staff to perform the activities associated with developing procurement documents and ongoing contract administration.

If funding is approved, the City Attorney's would issue a Request for Qualifications (RFQ) to retain outside counsel. Outside counsel, would then provide input on the RFP and assist in the development of an Exemplar Agreement. Staff anticipates that the PACE RFP could be issued during the winter of 2014.

In conclusion, City Council authorization to participate in two additional JPA PACE programs is an expedient way to expand the availability of PACE programs in San José. Currently, certain risks remain for implementation of a residential PACE program for the homeowner with a mortgage eligible for or backed by Fannie Mae or Freddie Mac until

¹ The San Diego City Attorney's raised similar issues in a public memorandum to the San Diego City Council in October, 2012 when the San Diego City Council was considering whether to establish its own PACE program. In response, the San Diego City Council authorized the City Attorney to enter into an agreement with an outside counsel to analyze and make its recommendations regarding these issues. It is our understanding that this analysis has not been performed to date.

further development of Governor Brown's proposed PACE reserve program, however no restrictions exist with the commercial PACE program as a first step. The residential component can be initiated as soon as the PACE reserve program is established, or FHFA makes other determinations regarding PACE programs with senior liens. Alternatively, the City Council could direct staff to proceed immediately with both a commercial and residential PACE program through the JPAs.

Based on limited staff resources, potential liability issues, and the complexity of the issues involved in the City establishing its own PACE program, staff does not recommend proceeding with a third party administered PACE program in San José. However, if the City Council and Committee would like staff to pursue the option of hiring a third party administrator/funder, staff recommends returning to Council with a budget proposal as part of the FY14-15 budget process to fund and initiate the procurement of a 3rd party PACE administrator. This will ensure the necessary time and resources to develop, oversee, and monitor the program.

POLICY ALTERNATIVES

Alternative #1: Do nothing

Pros: No additional staff effort would be needed, freeing up resources to work on other City initiatives.

Cons: Would severely limit the City's ability to achieve progress on Green Vision Goals #1, 2 & 3.

Reason for not recommending: Significant progress needs to be achieved on Green Vision Goals 2 and 3 if this City is to achieve its target by 2022 and more tools, like PACE, are needed to achieve those goals.

Alternative #2: San José could develop and administer its own PACE program

Pros: The City would have complete control over its ability to develop and administer a PACE program.

Cons: Would require approximately 10-12 FTEs to develop and administer a program. Additionally, would likely require the City to allocate significant funding from the General Fund and/or alternative funding source funding for start-up costs.

Reason for not recommending: Staff does not believe this is a viable option given staffing and budget limitations.

Alternative #3: Do not participate in the JPA programs and only issue RFP for third party administrator

Pros: May be able to get more favorable interest rates for customers within San José

Cons: Would severely limit competition and options for residential and commercial customers.

Reason for not recommending: Participating in an existing JPA will not involve any additional staff time beyond the development and review of the resolutions, the indemnification/insurance agreement and if applicable the agreement to join the JPA.

Additionally, multiple PACE administrators are able to operate within the City simultaneously. These positive aspects do not outweigh any benefits from a San José program with a third party administrator.

Alternative #4: Issue RFP for third party administrator in addition to participating in JPA programs

Pros: Would provide an additional option for San José residents and businesses

Cons: Would require significant additional resources and increase potential liability for the City

Reason for not recommending: Developing a RFP for a third party administrator will require funding from the General Fund and/or alternative funding source to allocate staff resources from the Environmental Services, Finance, and the City Attorney's Office for a period of approximately 6-8 months. Additionally, funding for ongoing staff resources would need to be identified for oversight of the contract with the third party administrator, as well as funding for outside legal services. If a property owner failed to pay the assessment or special tax lien on the property, the City either directly or through its third party administrator, would have the obligation to foreclose on the property. In the event the services of the administrator were terminated for performance issues, the City would be responsible for management of the program including payment of the assessments collected to the funder of the outstanding loans either with City staff or a replacement administrator. Staff is not recommending this option given the additional resources needed and the associated risks.

EVALUATION AND FOLLOW-UP

If the Committee and Council direct staff to proceed with issuing an RFP for a third party PACE administrator, staff will need to return to Council as part of the FY14-15 budget process to fund staffing and outside legal counsel related to this effort.

In March 2014, staff will provide an update on PACE related activities as part of the Green Vision Annual staff report.

PUBLIC OUTREACH/INTEREST

- ☐ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by

staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This recommendation does not meet any of the criteria listed above. Staff has coordinated with the PACE administrators in the development of this report.

COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office, Finance Department and the City Attorney.

COST IMPLICATIONS

No significant costs are anticipated with staff's recommended option of participating in the existing JPA programs

CEQA

Not a project, File No. PP10-068 (c), code or policy that involves no physical change in the environment.

/s/ Ashwini Kantak for
KERRIE ROMANOW
Director, Environmental Services

For questions please contact Rene Eyerly, Sustainability and Compliance Manager 975-2594.

Attachments

1. FHFA July 2010 Directive
2. Governor Brown's September 23, 2013 letter to FHFA
3. PACE Administrator Comparison
4. California HERO Program notification regarding lender issues included in its loan application

FEDERAL HOUSING FINANCE AGENCY**STATEMENT**

For Immediate Release
July 6, 2010

Contact: Corinne Russell (202) 414-6921
Stefanie Mullin (202) 414-6376

**FHFA Statement on Certain Energy
Retrofit Loan Programs**

After careful review and over a year of working with federal and state government agencies, the Federal Housing Finance Agency (FHFA) has determined that certain energy retrofit lending programs present significant safety and soundness concerns that must be addressed by Fannie Mae, Freddie Mac and the Federal Home Loan Banks. Specifically, programs denominated as Property Assessed Clean Energy (PACE) seek to foster lending for retrofits of residential or commercial properties through a county or city's tax assessment regime. Under most of these programs, such loans acquire a priority lien over existing mortgages, though certain states have chosen not to adopt such priority positions for their loans.

First liens established by PACE loans are unlike routine tax assessments and pose unusual and difficult risk management challenges for lenders, servicers and mortgage securities investors. The size and duration of PACE loans exceed typical local tax programs and do not have the traditional community benefits associated with taxing initiatives.

FHFA urged state and local governments to reconsider these programs and continues to call for a pause in such programs so concerns can be addressed. First liens for such loans represent a key alteration of traditional mortgage lending practice. They present significant risk to lenders and secondary market entities, may alter valuations for mortgage-backed securities and are not essential for successful programs to spur energy conservation.

While the first lien position offered in most PACE programs minimizes credit risk for investors funding the programs, it alters traditional lending priorities. Underwriting for PACE programs results in collateral-based lending rather than lending based upon ability-to-pay, the absence of Truth-in-Lending Act and other consumer protections, and uncertainty as to whether the home improvements actually produce meaningful reductions in energy consumption.

Efforts are just underway to develop underwriting and consumer protection standards as well as energy retrofit standards that are critical for homeowners and lenders to understand the risks and rewards of any energy retrofit lending program. However, first liens that disrupt a fragile housing finance market and long-standing lending priorities, the absence of robust underwriting standards to protect homeowners and the lack of energy retrofit standards to assist homeowners, appraisers, inspectors and lenders determine the value of retrofit products combine to raise safety and soundness concerns.

On May 5, 2010, Fannie Mae and Freddie Mac alerted their seller-servicers to gain an understanding of whether there are existing or prospective PACE or PACE-like programs in jurisdictions where they do business, to be aware that programs with first liens run contrary to the Fannie Mae-Freddie Mac Uniform Security Instrument and that the Enterprises would provide additional guidance should the programs move beyond the experimental stage. Those lender letters remain in effect.

Today, FHFA is directing Fannie Mae, Freddie Mac and the Federal Home Loan Banks to undertake the following prudential actions:

1. For any homeowner who obtained a PACE or PACE-like loan with a priority first lien prior to this date, FHFA is directing Fannie Mae and Freddie Mac to waive their Uniform Security Instrument prohibitions against such senior liens.
2. In addressing PACE programs with first liens, Fannie Mae and Freddie Mac should undertake actions that protect their safe and sound operations. These include, but are not limited to:
 - Adjusting loan-to-value ratios to reflect the maximum permissible PACE loan amount available to borrowers in PACE jurisdictions;
 - Ensuring that loan covenants require approval/consent for any PACE loan;
 - Tightening borrower debt-to-income ratios to account for additional obligations associated with possible future PACE loans;
 - Ensuring that mortgages on properties in a jurisdiction offering PACE-like programs satisfy all applicable federal and state lending regulations and guidance.

Fannie Mae and Freddie Mac should issue additional guidance as needed.

3. The Federal Home Loan Banks are directed to review their collateral policies in order to assure that pledged collateral is not adversely affected by energy retrofit programs that include first liens.

Nothing in this Statement affects the normal underwriting programs of the regulated entities or their dealings with PACE programs that do not have a senior lien priority. Further, nothing in these directions to the regulated entities affects in any way underwriting related to traditional tax programs, but is focused solely on senior lien PACE lending initiatives.

FHFA recognizes that PACE and PACE-like programs pose additional lending challenges, but also represent serious efforts to reduce energy consumption. FHFA remains committed to working with federal, state, and local government agencies to develop and implement energy retrofit lending programs with appropriate underwriting guidelines and consumer protection standards. FHFA will also continue to encourage the establishment of energy efficiency standards to support such programs.

###

The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$5.9 trillion in funding for the U.S. mortgage markets and financial institutions.



OFFICE OF THE GOVERNOR

September 23, 2013

Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552-0003

Re: PACE Program in California; Resolution of Fannie Mae and Freddie Mac Issues

Dear Mr. DeMarco:

Last year, I asked President Obama to direct the Federal Housing Finance Agency to work with California to revive Property Assessed Clean Energy (PACE) programs, which provide home owners with funding for energy-efficiency retrofits. The Federal Housing Finance Agency prohibited Fannie Mae and Freddie Mac from purchasing mortgages subject to PACE liens in certain types of PACE programs.

California has devised a mechanism that will address the concerns raised by FHFA and protect the interest of Fannie Mae and Freddie Mac, which I describe below.

The California Alternative Energy and Advanced Transportation Financing Authority (Authority), an existing state agency chaired by the California State Treasurer (Division 16 [commencing with Section 26000] of the Public Resources Code), will create a reserve fund for PACE programs. Any PACE program that wishes to use the reserve fund will enter an agreement that requires the PACE program to make Fannie Mae and Freddie Mac whole, as follows:

1. In any foreclosure, for any losses to Fannie Mae and Freddie Mac resulting from the payment of any PACE assessment paid while in possession of the property, and
2. In any forced sale for unpaid taxes or special assessments, for any losses to Fannie Mae and Freddie Mac that result from PACE assessments being paid before the outstanding mortgage.

PACE programs that enroll in the Authority reserve fund will meet basic structural criteria, comply with underwriting criteria set by the Authority, and pay an annual premium based on the size of their portfolio. In the event of foreclosure, Fannie Mae and Freddie Mac will be able to claim from the PACE program any amounts paid to keep the PACE assessment current until the property is sold to a new buyer. If the property is sold for back taxes or special assessments, and the sale results in insufficient funds to satisfy the outstanding mortgage because of PACE lien priority payments, Fannie Mae and Freddie Mac will be able to recover that amount from the PACE program. In both instances, upon a showing that Fannie Mae and Freddie Mac have been paid by the PACE program, the Authority will reimburse the PACE program.

This process addresses the issues raised by the Federal Housing Finance Agency and ensures that Fannie Mae and Freddie Mac will not be adversely impacted by the PACE first lien. The next step in moving this approach to fruition will be for the Authority to issue draft regulations for public comment, setting forth the requirements for PACE programs to participate in the reserve account. We will provide you with notice of that process and invite your participation.

I look forward to moving ahead on a much larger scale with PACE in California.

Sincerely,

A handwritten signature in black ink, appearing to read "Edmund G. Brown Jr.", with a long, sweeping flourish extending from the end of the signature.

Edmund G. Brown Jr.

cc: Valerie Jarrett, Senior Advisor to the President, The White House
Alfred Pollard, General Counsel, Federal Housing Finance Agency
Bill Lockyer, Treasurer, State of California
Members of the California Congressional Delegation

Comparison of PACE Program Administrators in California

Government Sponsor	<i>California Enterprise Development Authority (CEDA)</i>	<i>California Statewide Communities Development Authority (CSCDA)</i>	<i>Western Riverside Council of Governments (WRCOG)</i>	<i>City of Sacramento¹</i>
Program Name	<i>FIGTREE PACE</i>	<i>CaliforniaFirst</i>	<i>California HERO</i>	<i>Clean Energy Sacramento</i>
Administered by	<i>FIGTREE Energy Resources</i>	<i>Renewable Funding</i>	<i>Renovate America Inc. for residential Samas Capital for commercial</i>	<i>Ygrene Energy Fund</i>
Under Law	AB 811	AB 811	AB 811	SB 555
City Ability to Withdraw	Pass resolution opting out at any time. Does not impact completed or in process financings, but future financings would not be processed.	Pass resolution opting out at any time. Does not impact completed or in process financings but future financings would not be processed.	Yes, upon 30 days notice. Does not impact completed or in process financings but future financings would not be processed.	Program Administrator Agreement may be terminated or non-performance or at the end of the stated term negotiated up- front. [Local Jurisdiction would remain obligated to collect assessments for repayment of outstanding loans.]
Dollars Financed	\$1.5M completed projects ~\$4 million in pipeline.	\$37 million in active applications. No completed projects	\$72 million completed projects	\$5.1M completed projects \$75.5M pipeline projects
Covers Residential	Yes	Residential suspended pending resolution of FHFA resistance.	Yes	Yes
Covers Commercial	Yes	Yes,	Yes	Yes
Minimum Financing	\$5,000	\$50,000	\$5,000	\$2,500
Interest Rate	6% - 8%	6%-8% (currently 6.95%)	5.95% - 8.25%	4.95% - 6.95%
Energy Audit	Not Required	Required	Not Required	Required (cost paid by either contractor or property owner)
Property Owner Fees/Costs *	Application \$495; Closing 4%; Annual Administrative 3-5% of annual payment County Recorder fee	Dependent on lender. Fees generally range from 2.5%-4% of the project cost.	Administration 6.35%; Document Recording \$90; Annual Administrative Fee \$25	Fees generally range from 2%-4% of the project cost, based on size and local requirements
Cost to Participating Governments	None	None	None	Fully reimbursed
Mortgage Lender Consent	Consent Required (Commercial)	Lender consent or "affirmative acknowledgement" required	Not Required	Affirmative Acknowledgement Required; Written Consent where required by law or existing contract

¹ Information for Ygrene Energy Fund is specific to the program administered for the City of Sacramento.

Comparison of PACE Program Administrators in California

Funding Source	<p>CEDA issues bonds or enters into other financing arrangements secured by assessments,</p> <p>Open market sourcing. FIGTREE can issue bonds to finance projects. In certain instances it may be more advantageous to do a private placement or to find an investor to directly finance the project. In either case, FIGTREE takes on the responsibility to ensure the financing is completed.</p>	<p>Property owners choose their funding source -- either selecting one that the program is working with or bringing their own funding source into the program. CSCDA issues bonds to the lenders secured by assessments</p>	<p>Renovate America Inc. and Samas Capital provide financing for projects. In exchange WRCOG issues and delivers assessment bonds to Renovate America/Samas Capital to secure their financing.</p> <p>Other financing strategies may be pursued.</p>	<p>Ygrene provides 100% project financing (primary bank partner is Macquarie - \$100M revolving funding line)</p>
Selection of Contractor	<p>Contractor must be registered with program Payment to contractor directly made from program.</p>	<p>Property owner selects licensed contractor. Not required to be registered with program.</p>	<p>Contractor must be registered with program unless improvements owner-installed.</p>	<p>Property owner selects contractor from list of local contractors certified by Ygrene Energy Fund.</p>
Validation Action Required	<p>No. Statewide validation obtained on July 16, 2013</p>	<p>Successfully completed and includes San Jose</p>	<p>Yes</p>	<p>Yes. For the Sacramento program, Orrick, Herrington & Sutcliffe filed the validation suit in County Superior Court on behalf of Sacramento at no cost to Sacramento.</p>

*Exact amounts vary based on project, and not all costs will apply to a particular project.

Information in chart related to JPA PACE programs is based on information provided by the program administrators and staff review of their program materials. Information related to the Sacramento program provided by Ygrene Energy Fund.



PROGRAM REPORT

CITIES OF AZUSA, BALDWIN PARK, BRADBURY, COVINA, DIAMOND BAR, HERMOSA BEACH, INDUSTRY, LA CANADA FLINTRIDGE, LA VERNE, LOMITA, MONROVIA, MONTEBELLO, MONTEREY PARK, NEWPORT BEACH, OCEANSIDE, POMONA, ROSEMEAD, SAN DIMAS, SAN GABRIEL, SAN MARCOS, SAN MARINO, SOUTH EL MONTE, TEMPLE CITY, WEST COVINA, AND VISTA

ADOPTED JUNE 3, 2013
REVISED JULY 15, 2013
REVISED AUGUST 5, 2013
REVISED SEPTEMBER 9, 2013

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I. PROGRAM INTRODUCTION

This California HERO Program Report (this "Program Report") provides an overview of a property assessed clean energy ("PACE") municipal financing program called the California HERO Program (the "California HERO Program", "HERO" or "Program") for cities and counties that elect to participate in the California HERO Program.

A Residential Program Handbook and a Commercial Program Handbook (collectively "Handbooks") are incorporated herein by reference into this Program Report and supplement and provide further details on the Program.

1.1 PURPOSE OF THE CALIFORNIA HERO PROGRAM

The Western Riverside Council of Governments ("WRCOG" or "Agent") is making the California HERO Program available to every city and county in California to encourage installation of distributed generation renewable energy sources, energy efficiency and water efficiency improvements and electric vehicle charging infrastructure for residential and commercial property owners. The Agent has partnered with Renovate America and SAMAS Capital to make HERO available throughout the State.

The California HERO Program is an economic development program available at no cost to participating cities and counties. HERO finances improvements which decrease energy, create clean renewable energy, or decrease water consumption. In addition to these direct benefits, HERO helps create local jobs, save money, increase property values and lower greenhouse gas emissions.

HERO first launched its residential program in western Riverside County in December 2011 and has received several awards across the state. HERO for commercial properties launched in December 2012.



Southern California Association of Governments
2012 President's Award for Excellence (Highest Honor)
<http://www.compassblueprint.org/toolbox/videos/12awards/wrcog>



U.S. Green Building Council
2012 Best Residential Partnership Program in California
<http://www.usgbc.org/ShowFile.aspx?DocumentID=18852>



Urban Land Institute
2012 Best of the Best

1.2 HERO FINANCING

In July, 2008, the California Legislature approved Assembly Bill 811 amending Chapter 29 of the Improvement Act of 1911 (Streets and Highways Code Section 5898.12 and following) (“Chapter 29”), authorizing cities and counties to establish voluntary contractual assessment programs to fund an array of conservation and renewable energy projects proposed by property owners. Assembly Bill 474 was subsequently passed in October 2009 to further amend Chapter 29 to add water efficiency improvements to the list of eligible improvements. Finally, SB 1340 was enacted in 2010 to amend Chapter 29 to authorize the installation of electric vehicle charging infrastructure.

Under the California HERO Program, a contractual assessment is entered into between the property owner and the Agent. Participation by a property owner in such a contractual assessment is 100% voluntary. The contractual assessment is memorialized in a contract between the participating property owner and SANBAG (an “Assessment Contract”). The separate forms of Assessment Contract for Residential properties, i.e., a property developed for a single family home or fewer than four (4) residential dwelling units, or Commercial properties, i.e., all non-residential properties, including apartment buildings with five (5) units or more, are set forth in substantially the forms attached to this Program Report as Appendix E. The amount of the contractual assessment is equal to the cost to pay for the eligible improvements (“Eligible Products”), the costs to pay for the issuance of the bonds that will finance the Program, and the costs to administer the Program. Like most assessments, the amounts are billed and collected on the County property tax bill. If the property is sold, the obligation to make the remaining payments on the assessment may remain on the property or may be required to be paid off when the primary mortgage is refinanced or when the property is sold. Additionally, if a property owner fails to pay the annual contractual assessment installments, the Agent is obligated to strip the delinquent installments off the property tax bill and commence judicial proceedings to foreclose the lien of the delinquent installments. This is an expedited procedure that can result in the public sale of the property in less than a year. This process is disclosed to the property owner in the applicable Assessment Contract.

1.3 PURPOSE OF THE PROGRAM REPORT

This Program Report is prepared pursuant to Sections 5898.22 and 5898.23 of the California Streets and Highways Code in connection with the establishment of the California HERO Program. This Program Report is supplemented by separate handbooks prepared for the residential and the commercial programs (each, a “Handbook”) which are incorporated in this Program Report by reference. This is the document, together with the Handbooks, that establish the parameters of the Program and the requirements for property owner participation in the California HERO Program and fulfills the requirements of Sections 5898.22 and 5898.23. The California HERO Program is offered to property owners in participating Cities and Counties. Cities and the County can make HERO available to their constituents by adopting a resolution and entering into an amendment to the WRCOG joint exercise of powers agreement (the “JPA Amendment”) pursuant to which such City or County becomes an Associate Member of WRGOG authorizing the Agent to offer the California HERO Program within the respective boundaries of such Cities and Counties. The Associate Members within which the California HERO Program may be implemented are set forth in Exhibit “B” hereto which delineates the boundaries of the territory within which voluntary contractual assessments may be offered pursuant to the California HERO Program.

II. RESIDENTIAL AND COMMERCIAL PROGRAM REQUIREMENTS

This section identifies the California HERO Program requirements relating to improvements made on residential and commercial properties.

2.1 ELIGIBLE PROPERTY OWNERS AND ELIGIBLE PROPERTIES

In order for properties to be eligible to participate in the California HERO Program, the applicant must meet the eligibility requirements listed below. The Handbooks provides additional detail on each criteria.

- a. Applicant. Applicant(s) must be the property owner(s) of record.
- b. Address. The applicant's property must be located within the boundaries of the California HERO Program. If a property is located in a city, the city must adopt a resolution and enter into the JPA Amendment authorizing the Agent to offer the California HERO Program within its boundaries. If a property is located within the unincorporated territory of a County, the County must adopt a resolution and enter into the JPA Amendment authorizing the Agent to offer the Program within its boundaries. A map showing the areas within which the California HERO Program may be offered is attached hereto as Appendix B.
- c. Property Taxes. The property owners must be current on their property taxes within the time period specified in the applicable Handbook.
- d. Involuntary Liens. The property must not be subject to involuntary liens, judgments or defaults or judgments in excess of the amount identified in the applicable Handbook.
- e. Mortgage Debt. The mortgage debt on the property must not exceed that certain percentage of the value of the property as set forth in the applicable Handbook.
- f. Annual Property Taxes. The total annual property tax and assessments, including the contractual assessment, on the property must not exceed 5% of the property's market value, as determined at the time of approval of the Assessment Contract.
- g. Bankruptcy. The property owner must not have declared bankruptcy within the time period specified in the applicable Handbook.

2.2 ELIGIBLE PRODUCTS, CONTRACTORS AND COSTS

Eligible Products

Property owners are responsible for installation, operation, and maintenance of the Eligible Products installed on their property. Property owners must address performance and other system-related issues directly with the contractor installing the Eligible Products according to the terms of the contract between the property owner and the contractor. The California HERO Program is a financing program only. Neither the Agent or the City or the County in which the property is located, nor their employees or agents are responsible for the Eligible Products, their installation or their performance.

The California HERO Program affords property owners the opportunity to take advantage of a wide range of eligible renewable energy, energy-saving, and water conservation/efficiency products that are included among the Eligible Products, consistent with the following provisions:

- a. The California HERO Program is intended principally to encourage the adoption of renewable energy, energy efficiency and water efficiency measures.
- b. The California HERO Program provides financing only for Eligible Products that are permanently affixed to real property.
- c. The California HERO Program provides financing only for Eligible Products specified in Appendix A of the report. The list of Eligible Products will be updated from time to time and published in the Handbooks. Broadly, these include:
 - a. Water Conservation/Efficiency Products
 - b. Energy Efficiency Products
 - c. Renewable Energy Systems
 - d. Electric vehicle charging infrastructure
 - d. Custom Products
- d. The property owner must ensure that any and all permits and inspections required by the jurisdiction within which such property is located for the installation of the Eligible Products are obtained.
- e. Financing is also available for projects that combine Eligible Products, such as bundling of water conservation/efficiency, energy efficiency, and renewable energy improvements. For instance, a property owner may choose to replace an aging and inefficient furnace, install weather stripping, install low flow toilets, and install a photovoltaic system as part of a single project.

Contractors

The cost of installation of Eligible Products shall be eligible to be financed under the California HERO Program only if such installation is completed by a contractor that is registered with the Program or by the property owner if self-installing such Eligible Products. A list of contractors that are registered with the Program shall also be located on the Program website. Registration of a contractor with the Program is neither a recommendation of such contractor nor a guaranty of or acceptance of responsibility for work of such contractor by the Agent, Renovate America, Samas Capital or the City or County in which the property upon which the Eligible Products are installed is located or the officers, employees or agents of such entities. Neither the Agent, Renovate America, Samas Capital, or the City or County in which the property upon which the Eligible Products are installed is located, their officers, employees nor agents any have responsibility whatsoever for the selection by a property owner of a registered contractor or the work performed by such registered contractor.

Improvement Costs

Eligible costs of the improvements include the cost of equipment and installation of such equipment. Installation costs may include, but are not limited to, energy and water audit consultations, labor, design, drafting, engineering, permit fees, and inspection charges. Eligible costs do not include labor costs for property owners that elect to do the work themselves.

Property owners who elect to engage in broader projects – such as home or business remodeling – may only receive Program financing for that portion of the cost of retrofitting existing structures with Eligible

Products. Repairs and/or new construction do not qualify except to the extent that the construction is required for the specific approved Eligible Products. Repairs to existing infrastructure, such as water and sewer laterals, are considered repairs and are not eligible.

Program staff will evaluate conditions in the construction and installation market for the proposed Eligible Products, including the pricing of Eligible Products, and may require the property owner to obtain additional bids to determine whether costs are reasonable. While the property owner may choose the contractor, the amount available for financing may be limited as set forth in the applicable Handbook.

Administrative Costs/Fees

The Program will cover all or a portion of its costs of establishing the Program; processing, reviewing and approving a property owner's application; processing the Assessment Contract and other related financing and contract documents and issuing the bonds that will finance the Program through an expense component to be added to the amount of the financing request as set forth in the applicable Handbook. In addition, there may be other costs that are not covered in the expense component and will be borne by the property owners as set forth in the applicable Handbook. These costs may include:

- a. Application Fee. An application fee may be required. The owner may not include this cost in the financing request. Except as otherwise provided in applicable federal or state law, the application fee is nonrefundable, unless the property owner is deemed ineligible and the unused portion of the application fee may be prorated.
- b. Title and Recording Costs. Title and recording costs, including title insurance, where required, may be paid by the property owner.
- c. Permitting Costs. Property owners are required to verify whether or not a permit and/or inspections are required by the jurisdiction in which such owner's property is located. Any such permit and/or inspection costs will be paid by the property owner and are an eligible cost to include in the financing.
- d. Ongoing Administration Costs. Annual assessment administration, collection, County treasurer-tax collector and auditor-controller and trustee costs will be added each year to the annual assessment on property tax bills and will be adjusted in subsequent years for cost of living increases using the U.S. Department of Labor, Bureau of Labor Statistics, and Consumer Price Index for the County or region.
- e. Onsite Validation Fees. Onsite validation fees may be required for Program staff to confirm that approved Eligible Products were actually installed prior to funding; provided, however, such fee may not exceed the actual cost to undertake such validation.
- f. Multiple Disbursement Fees. The Program may offer multiple disbursements for assessments if feasible. If multiple disbursements are offered, the partial disbursement funding requests may be subject to an additional processing fee per partial disbursement as set forth in the applicable Handbook; provided, however, that such fee may not exceed the actual cost of providing such service.
- g. Capitalized Interest. Because each County has established a deadline for placing the contractual assessments on such County's property tax bill, the principal component of the

contractual assessment may also include an amount equal to the first tax year's contractual assessment installments if the deadline cannot be met.

h. Deposit to a Debt Service Reserve Fund. The Agent or project investors may require property owners to fund a deposit to a debt service reserve fund as set forth in the applicable Handbook. The reserve fund would be used to pay debt service on bonds issued to finance the installation of Eligible Products in the event of contractual assessment installment delinquencies.

As required pursuant to Section 5898.22 of Chapter 29, the Agent has met and consulted with the staff of the County of the San Diego Auditor's office concerning the additional fees, if any, that will be charged to the Agent for incorporating the proposed assessment installments into the assessments of the general taxes on real property. The payment of such fees shall be included as a part of ongoing administration costs which will be added each year to the annual assessment on property tax bills.

III. APPEAL PROCESS

The Program allows for property owners to go through an appeal process if their application is denied or if the property owner or property is deemed ineligible to participate in the Program. The process is set forth in the applicable Handbook.

IV. TRACKS FOR PARTICIPATION

There are four categories of improvements under which property owners may participate in this Program. Minimum energy efficiency specifications are set at EnergyStar, California Title 24 and Title 20, and WaterSense standards, as applicable. Efficiency standards will "ratchet-up" with EnergyStar, WaterSense, California Title 24 and Title 20 standards, or other new standards as may be appropriate and as agreed upon by WRCOG Executive Committee. A complete list of Eligible Products can be found in Appendix A.

4.1 WATER CONSERVATION/EFFICIENCY

Water Conservation/Efficiency covers a wide range of water conserving fixtures, such as low flow toilets, low flow shower heads, and irrigation controllers.

4.2 ENERGY EFFICIENCY

Energy Efficiency covers a wide range of energy efficiency fixtures such as windows and doors, attic insulation, and HVAC equipment that are EnergyStar rated. Most Eligible Products in this category must meet specified minimum efficiencies.

4.3 RENEWABLE ENERGY

Solar Photovoltaic or Solar Thermal Systems provide for solar energy generation and solar hot water systems, respectively. Small wind turbines, fuel cell systems or geothermal systems may also be eligible under this category.

4.4 CUSTOM PROJECTS

The development of technologies is encouraged by the Program as a means of diversifying the region's energy and water sources. Custom Projects will be evaluated and provided funding, if appropriate, for either innovative projects or for more complex, larger projects that require additional review.

V. PROGRAM PARAMETERS

5.1 MINIMUM FINANCING AMOUNT AND DURATION OF ASSESSMENT

Assessment Contracts are available for varying terms as set forth in the applicable Handbook.

Minimum and maximum financing amounts are set forth in the applicable Handbook.

5.2 MAXIMUM PORTFOLIO

The maximum aggregate dollar amount of contractual assessments initially authorized under the California HERO Program is \$2 billion.

5.3 ASSESSMENT INTEREST RATE

Residential Properties: The interest rate for a contractual assessment on a residential property is set at the time that the Assessment Contract is delivered to the property owner. An estimated, current rate will always be available on the Program website and any variations from that estimated rate will be based solely on market fluctuations.

Commercial Properties: The interest rate for a contractual assessment on a commercial property is set at the time the Assessment Contract is entered into.

The Program interest rate(s) will be set with the intention of creating a self-sustaining Program at rates that are competitively priced to compare to financing options available through banking or other financial institutions, balanced with the ability to remarket the bonds issued to finance the installation of Eligible Products on participating properties and encourage the future liquidity of the Program.

5.4 PROPERTY ASSESSMENT LIEN

All property owners must sign, and return the Assessment Contract within the time period specified in the notice of approval of a property owner's application. Upon completion of the project and execution of the Assessment Contract, the Agent will place a lien for the full amount of the contractual assessment on the property that secures such assessment. If the lien is recorded before the first business day in July, the assessment installment will appear on the next tax bill. For liens recorded after the first business day of July, the assessment installment will not appear on the tax bill until the following tax year, but interest will accrue on the outstanding balance. A direct bill and/or additional tax bill or other method of payment (including capitalized interest) may be required, as determined by the Program, during the first tax year.

5.5 DELINQUENT ASSESSMENT COLLECTIONS

In general, it is expected that assessment installments will be collected on the *ad valorem* tax bills sent to property owners by the Treasurer-Tax Collector of the County in which such owner's property is located, and therefore delinquency information will generally be available from such the Treasurer-Tax Collector's office. In order to attract financing, the Agent will covenant to commence and pursue judicial foreclosure proceedings with respect to parcels that are delinquent in the payment of assessment installments. The precise terms of such a covenant will be determined at the time of bond issuance.

VI. THE FINANCIAL STRATEGIES

The Program includes the following financial strategies.

Strategy One: The Program will, at launch, utilize Renovate America to fund installations of Eligible Products for Residential properties. Renovate America will provide a revolving credit line to finance the installation of Eligible Products for such Residential properties. Property and other eligibility requirements will be determined pursuant to the criteria set forth in Section II above and in the Residential Handbook. In consideration for funding the installation of such Eligible Products the Agent shall issue and deliver to Renovate America one or more municipal bonds secured by the contractual assessments payable by the Residential properties to be improved.

Strategy Two: The Program will, at launch, utilize the Samas Capital to fund installations of Eligible Products for Commercial properties. Samas Capital will provide a revolving credit line to finance the installation of Eligible Products to Commercial properties. Property and other eligibility requirements will be determined pursuant to the criteria set forth in Section II above and the Commercial Handbook. In consideration for funding the installation of such Eligible Products the Agent shall issue and deliver to Samas Capital one or more municipal bonds secured by the contractual assessments payable by the Commercial properties to be improved.

Strategy Three: The Agent may establish the "Statewide PACE Financing Fund" (the "PACE Fund") and may accept funds from any available source. Repayments will be made pursuant to Assessment Contracts between the property owners and the Agent and will be collected through the property assessment mechanism in the County property tax system in which the properties of such owners are located. The Agent will manage or cause the Trustee or other qualified third party administrator to manage the PACE Fund in one enterprise fund with multiple sub-funds.

Strategy Four: For additional financing, the Agent will continue to explore funding opportunities from a number of other potential funding sources, and combinations of sources, which may include but are not limited to additional funding from any funds under the control of the Agent, the issuance of notes, bonds, or agreements with utilities or public or private lenders, other governmental entities and quasi-governmental entities such as SCERA, CALPERS, Nationwide Retirement Solutions, funding from private entities, or any financing structure allowed by law.

VII. GLOSSARY OF TERMS

ANNUAL FUEL UTILIZATION EFFICIENCY (AFUE): AFUE is the standard measurement of efficiency for gas and oil-fired furnaces. Given in percentages, this number tells you how much of your fuel is used to heat your home and how much fuel is wasted. The higher the AFUE rating, the greater the efficiency.

ASSEMBLY BILL 811: Approved in July 2008 by the California legislature, AB 811 amended Chapter 29 to authorize cities and counties to establish voluntary contractual assessment programs to fund an array of conservation and renewable energy projects proposed by property owners.

ASSEMBLY BILL 474: Approved in October 2009 by the California legislature, AB 474 amended Chapter 29 to authorize the funding of water conservation products through a voluntary contractual assessment program.

ASSESSMENT CONTRACT: A contract entered into between a property owner or property owners to provide financing for the installation of Eligible Improvements on property of such owner or owners under the California HERO Program.

BRITISH THERMAL UNITS (BTU): The amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit.

BUILDING PERFORMANCE INSTITUTE (BPI): BPI is a national standards development and credentialing organization for residential energy efficiency retrofit work – providing training through a network of training affiliate organizations, individual certifications, company accreditations and quality assurance programs. BPI certifications include building analysts (for energy audits) as well as building envelope professionals (envelope or manufactured housing) and mechanical professionals (heating or cooling).

BUILDING PERMITS: Formal approval of building plans by the designated government agency as meeting the requirements of prescribed codes. It is an authorization to proceed with the construction or reconfiguration of a specific structure at a particular site, in accordance with the approved drawings and specifications.

CALIFORNIA SOLAR INITIATIVE (CSI): The California Solar Initiative is part of the Go Solar California campaign and builds on 10 years of state solar rebates offered to customers in California's investor-owned utility territories: Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E). The California Solar Initiative is overseen by the California Public Utilities Commission.

COEFFICIENT OF PERFORMANCE (COP): The COP is the basic parameter used to report efficiency of refrigerant based systems.

COMMERCIAL: Commercial entities are defined as all non-residential properties and include, but are not limited to, apartment buildings with five units or more, industrial and agricultural properties.

CONTRACTOR: A person or business entity who contracts to erect buildings, or portions of buildings, or systems within buildings.

COOL ROOF: A cool roof reflects and emits the sun's heat back to the sky instead of transferring it to the building below. "Coolness" is measured by two properties, solar reflectance and thermal emittance. Both properties are measured from zero (0) to one (1) and the higher the value, the "cooler" the roof

COOL ROOF RATING COUNCIL (CRRC): The CRRC is an independent, non-profit organization that maintains a third-party rating system for radiative properties of roof surfacing materials.

ENERGY AUDIT: An evaluation of energy consumption, as in a home or business, to determine ways in which energy can be conserved.

ENERGY EFFICIENCY RATIO (EER): EER is a measure of how efficiently a cooling system will operate when the outdoor temperature is at a specific level (95°F). The higher the EER, the more efficient the system.

ELIGIBLE PRODUCTS: All Eligible Products as specified in the applicable Program Handbook.

ENERGYSTAR: EnergyStar is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy helping us all save money and protect the environment through energy efficient products and practices.

EXPECTED PERFORMANCE-BASED BUY-DOWN (EPBB): Under CSI, EPBB provides that solar systems smaller than 30kW in capacity can receive a one-time, up-front incentive based on expected performance, and calculated by equipment ratings and installation factors (geographic location, tilt and shading). EPBB payments are provided on a \$ per watt basis. Systems eligible for EPBB can choose to opt-in to the PBI system.

EVAPOTRANSPIRATION (ET): ET is a term used to describe the sum of evaporation and plant transpiration from the Earth's land surface to atmosphere.

HEAT SEASONAL PERFORMANCE FACTOR (HSPF): HSFP is the most commonly used measure of a heat pumps heating efficiency. The higher the HSPF, the more efficient the heat pump.

HOME ENERGY RATING SYSTEM (HERS): Based on the home's plans, the Home Energy Rater uses an energy efficiency software package to perform an energy analysis of the home's design. This analysis yields a projected, pre-construction HERS Index. Upon completion of the plan review, the rater will work with the builder to identify the energy efficiency Eligible Products needed to ensure the house will meet ENERGY STAR performance guidelines. The rater then conducts onsite inspections, typically including a blower door test (to test the leakiness of the house) and a duct test (to test the leakiness of the ducts). Results of these tests, along with inputs derived from the plan review, are used to generate the HERS Index score for the home.

INTERCONNECTION AGREEMENT: A legal document authorizing the flow of electricity between the facilities of two electric systems. Under the CSI Program, eligible renewable energy systems must be permanently interconnected and operating in parallel to the electrical distribution grid of the utility serving the customer's electrical load. Portable systems are not eligible. Proof of interconnection and parallel operation is required prior to receiving an incentive payment.

INVESTOR-OWNED UTILITY (IOU): For purposes of the Program, this refers to Southern California Edison Company, Pacific Gas & Electric Company and San Diego Gas & Electric Company.

KILOWATT (kW): A unit of electrical power equal to 1,000 watts, which constitutes the basic unit of electrical demand. The watt is a metric measurement of power (not energy) and is the rate (not the duration over which) electricity is used. 1,000 kW is equal to 1 megawatt (MW).

KILOWATT HOUR (kWh): The use of 1,000 watts of electricity for one full hour. Unlike kW, kWh is a measure of energy, not power, and is the unit on which the price of electrical energy is based. Electricity rates are most commonly expressed in cents per kilowatt hour.

MARKET VALUE: Highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market.

MANUAL J REPORT: A report that is the accepted industry standard for the proper sizing and selection of HVAC equipment in residential applications. Manual J outlines the accurate procedure which can be used to estimate the heat loss and heat gain for conventional residential structures

MEGAWATT (MW): Unit of electrical power equal to one million watts; also equals 1,000 kW.

NET OPERATING INCOME (NOI): Net operating income is rental income of a property after operating expenses. These expenses would include all operating expenses, including maintenance, janitorial, supplies, insurance, accounting, management, etc.

PARTICIPATING JURISDICTION: A city or county that has elected to participate in the California HERO Program.

PROGRAM: The California HERO Program.

PROGRAM ADMINISTRATOR: The WRCOG Executive Director and/or his designee are designated as the Program Administrator and are authorized to enter into contractual assessments.

REAL PROPERTY: A property in the County that is subject to a real property tax.

PERFORMANCE BASED INCENTIVE (PBI): All solar systems requesting incentive payments over 30 kW must take the PBI. Any sized system can elect to take PBI. The PBI pays out an incentive, based on actual kWh production, over a period of five years. PBI payments are provided on a \$ per kilowatt-hour basis.

POWER PURCHASE AGREEMENT (PPA): PPA's are contracts between two parties, one who generates electricity for the purpose of sale (the seller) and one who agrees to purchase electricity (the buyer). Financing for the project is delineated in the contract, which also specifies relevant dates of the project coming into effect, when the project will begin commercial operation, and a termination date for which the contract may be renewed or abandoned. All sales of electricity are metered to provide both seller and buyer with the most accurate information about the amount of electricity generated and bought. Rates for electricity are agreed upon in the contract between both parties.

RENEWABLE: Electricity supplied by energy sources that are naturally and continually replenished, such as wind, solar power, geothermal, small hydropower, and various forms of biomass.

RESIDENTIAL: Single family home, fewer than four (4) residential units.

R-VALUE: R-Value is a measure of thermal resistance used in the building and construction industry, usually for insulation. The higher the R-Value, the greater the insulation qualities of the product.

SEASONAL ENERGY EFFICIENCY RATIO (SEER): SEER is most commonly used to measure the efficiency of central air conditioners and air source heat pumps. SEER measures how efficiently a cooling system will operate over an entire season. The higher the SEER, the more efficient the system.

SOLAR HEAT GAIN COEFFICIENT (SHGC): SHGC measures how well a product blocks heat by sunlight. SHGC is expressed as a number between 0 and 1. The lower the SHGC, the less solar heat is transmitted into the building.

SOLAR RATING AND CERTIFICATION CORPORATION (SRCC): The SRCC currently administers a certification, rating, and labeling program for solar collectors and a similar program for complete solar water heating systems.

TITLE 20: CCR Title 20, California regulations intended to drive down electrical energy consumption in the state, is having a noticeable impact on manufacturers, importers and retailers who produce or sell portable lamps.

TITLE 24: California Code of Regulations (CCR), Title 24, also known as the California Building Standards Code, is a compilation of three types of building standards from three different origins:

- Building standards that have been adopted by state agencies without change from building standards contained in national model codes;

- Building standards that have been adopted and adapted from the national model code standards to meet California conditions;
- Building standards, authorized by the California legislature, that constitute extensive additions not covered by the model codes that have been adopted to address particular California concerns.

Water Audit: Water Audit is a qualitative and quantitative analysis of water consumption to identify means of reducing, reusing and recycling of water.

WATERSENSE: WaterSense is a partnership program sponsored by the U.S. Environmental Protection Agency (EPA) with the goal of protecting the future of the US's water supply. By promoting and enhancing the market for water efficient products and services, WaterSense makes every drop count by leveraging relationships with key utility, manufacturer and retail partners across the U.S.

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS (WRCOG): A joint powers authority representing its Associate Members in establishing the California HERO Program. WRCOG is serving as Agent to facilitate funding for owners of properties in jurisdictions of its Associate Members that meet the project approval and funding criteria provided herein for participation in the California HERO Program.

Appendix A

ELIGIBLE PRODUCTS

The California HERO Program offers financing for a number of eligible equipment types, energy efficiency measures, water efficiency/conservation improvements, solar systems, and other innovative, energy-saving, water saving, and energy generation custom products for residential and commercial property owners as specified in the applicable Handbook.

Minimum energy efficiency specifications are set at EnergyStar, California Title 24 and Title 20, and WaterSense standards, as applicable. Efficiency standards will “ratchet-up” with EnergyStar, WaterSense, California Title 24 and Title 20 standards, or other new standards as may be appropriate and as agreed upon by the Agent.

Any Solar PV system must be eligible for and participate in CSI or an equivalent utility rebate program, unless the property is not connected to the electricity grid, or such utility rebate program is not available.

Appendix B

MAP OF PROGRAM AREA (SEPTEMBER 9, 2013)

The territories within which voluntary contractual assessments are authorized to be offered pursuant to the California HERO Program are the jurisdictional boundaries of the Cities of Azusa, Baldwin Park, Bradbury, Covina, Diamond Bar, Hermosa Beach, Industry, La Canada Flintridge, La Verne, Lomita, Monrovia, Montebello, Monterey Park, Newport Beach, Oceanside, Pomona, Rosemead, San Dimas, San Gabriel, San Marino, San Marcos, South El Monte, Temple City, Vista, and West Covina, as shown on the attached maps.

Cities of Oceanside, San Marcos, and Vista, located in San Diego County, California



Cities of Azusa, Baldwin Park, Bradbury, Covina, Diamond Bar, Hermosa Beach, Industry, La Canada Flintridge, La Verne, Lomita, Monrovia, Montebello, Monterey Park, Pomona, Rosemead, San Dimas, San Gabriel, San Marino, South El Monte, Temple City, and West Covina, located in Los Angeles County, California.



City of Newport Beach, located in Orange County, California.



Appendix C
**RESIDENTIAL PROPERTIES
PROGRAM APPLICATION**

**WRCOG HERO Financing™ Application**

Phone: (877) 747-4889
Fax: (858) 385-0379
Email: wrcog@herofinancing.com

Address: 4080 Lemon Street, 3rd Floor, MS1032
Riverside, CA 92501

The Western Riverside Council of Governments ("WRCOG") Energy Efficiency and Water Conservation Program for Western Riverside County (the "Program") finances installation of renewable energy, or energy or water efficiency products that are permanently fixed to a property owner's real property ("Eligible Products"). Eligible Products will be financed upon the signing of an assessment contract between WRCOG and the property owner ("Assessment Contract"). WRCOG has retained Renovate America, Inc. ("RA") to facilitate the Program, and you will see this name throughout the Program materials. WRCOG and RA are referred to collectively therein as "Program Administrator."

Property Owner Acknowledgments

In order to participate in the Program, I understand that I need to meet the qualifications listed below. By signing this Application, I acknowledge and represent that to the best of my knowledge that I and any other owner(s) of the property which is the subject of this application (the "Property") meet these qualifications and I authorize the Program Administrator to obtain a credit report for each of the property owner(s) and/or trustees whose social security number is provided on this application.

- I am current on all property taxes for the Property.
- I certify that I have not had a late payment on the property taxes levied on the Property more than once during the prior three (3) years (or since the purchase of the Property if owned less than three (3) years).
- I am and have been current on property debt for the past twelve (12) months on the Property.
- I am not aware of any involuntary liens, defaults or judgments on the Property.
- I have the authority to authorize the Program Administrator to obtain a credit report for each of the property owner(s) and/or trustee(s) whose social security number(s) is provided on this application.
- I have not declared bankruptcy in the last seven (7) years.
- I understand that to qualify for the Program the Property must meet the following requirements:
 - a. The amount to be financed under the Program may not exceed 10% of the value of the Property.
 - b. All existing debt recorded against the Property may not exceed 90% of the value of the Property.
 - c. I understand that, following approval, my contractor or I must call the Program to identify the Eligible Products I would like to purchase and must receive Notification to Proceed from the Program before beginning the installation of any Eligible Products. Products which have not been approved by the Program will not be funded.
 - d. I understand that interest rates may change from this approval date to receiving Notification to Proceed.

By signing this Application, I hereby declare under penalty of perjury under the laws of the State of California all of the following:

1. That the information provided in this Application is true and correct as of the date set forth opposite my signature on the Application and that I understand that any intentional or negligent misrepresentation(s) of the information contained in this Application may result in civil liability and/or criminal penalties including, but not limited to, imprisonment or both and liability for monetary damages to WRCOG, its agents, or successors and assigns, insurers and any other person who may suffer any loss due to reliance upon any misrepresentation which I have made in this Application.
2. I have received, read and understood all documents comprising the Program, which, in addition to information on the Program website, include the following:
 - a. This Application;
 - b. Privacy Policy Notice;
 - c. Assessment Contract (sample); and
 - d. Program Handbook.

I have had an opportunity to ask Program representatives and/or my legal counsel any questions I have regarding the documents listed above. I understand I will be asked to sign the Assessment Contract, among other documents, as a pre-condition to the closing of the financing.

3. I am applying to participate in the Program. I have the authority, without the consent of any third party, to execute and deliver this Application, the Assessment Contract, and the various other documents and instruments referenced herein.
4. I understand that the financing provided pursuant to the Assessment Contract will be repayable through an assessment levied against the Property. I understand that an assessment lien will be recorded by WRCOG against the Property in the office of the County Recorder of the County of Riverside upon execution of the Assessment Contract. The property tax bill (which includes my assessments) for the Property will increase by the amount of these assessment installment payments. The Assessment Contract will specify the amount of the assessment, the assessment installments and the interest on the assessment to be collected on the tax bill for the Property each year during the term specified in the Assessment Contract. The assessment and the interest and any penalties thereon will constitute a lien against the Property until they are paid. As with all tax and assessment liens, this lien will be senior to all existing and future private liens against the Property, including mortgages, deeds of trust and other security instruments.

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Riverside, CA 92501

Disclosures

The following describes some (but not all) characteristics and risks of participation in the Program as well as laws to which the Program is subject. A full understanding of any item listed below can be gained only by reviewing the relevant laws, policy statements, and/or the contractual documents related to the Program. The Program Administrator is committed to your understanding each of the items listed below, and invites you to ask Program representatives any questions regarding these items or if you need copies of any document related to the Program.

1. Program Disclosures and Disclaimers.

- a. **Existing Mortgage.** The Program establishes the manner by which WRCOG may finance, pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (commencing with Section 5898.10), the installation of Eligible Products. Eligible Products will be financed pursuant to an Assessment Contract between you and WRCOG.

BEFORE COMPLETING A PROGRAM APPLICATION, YOU SHOULD CAREFULLY REVIEW ANY MORTGAGE AGREEMENT(S) OR OTHER SECURITY INSTRUMENT(S) WHICH AFFECT THE PROPERTY OR TO WHICH YOU AS THE PROPERTY OWNER ARE A PARTY. ENTERING INTO A PROGRAM ASSESSMENT CONTRACT WITHOUT THE CONSENT OF YOUR EXISTING LENDER(S) COULD CONSTITUTE AN EVENT OF DEFAULT UNDER SUCH AGREEMENTS OR SECURITY INSTRUMENTS. DEFAULTING UNDER AN EXISTING MORTGAGE AGREEMENT OR SECURITY INSTRUMENT COULD HAVE SERIOUS CONSEQUENCES TO YOU, WHICH COULD INCLUDE THE ACCELERATION OF THE REPAYMENT OBLIGATIONS DUE UNDER SUCH AGREEMENT OR SECURITY INSTRUMENT. IN ADDITION, ON AUGUST 31, 2010, FANNIE MAE AND FREDDIE MAC STATED THAT THEY WOULD NOT PURCHASE HOME LOANS WITH ASSESSMENTS SUCH AS THOSE OFFERED BY WRCOG. THIS MAY MEAN THAT PROPERTY OWNERS WHO SELL OR REFINANCE THEIR PROPERTY MAY BE REQUIRED TO PREPAY SUCH ASSESSMENTS AT THE TIME THEY CLOSE THEIR SALE OR REFINANCING.

If your lender requires an impound for your property taxes, please consider notifying them of the annual assessment payment amount so they can adjust your impound amount.

- b. **Interest Rate.** You will be charged a fixed interest rate on your total financed amount. Your interest rate will be set at the time your Financing Documents are issued.
- c. **Program Administration Fee.** At the time of closing, WRCOG will charge you a one-time administration fee of 5.35% of the principal amount of the assessment on the Property to cover the costs of administering the Program. This fee will be added to the assessment amount.
- d. **Recording Fee.** At the time of closing, WRCOG will pass-through the assessment recording fee of approximately \$87 to you to cover the costs of recording the assessment. This fee will be added to the assessment amount.
- e. **Assessment Administration Fee.** Each year, an annual assessment administrative fee will be added to the assessment lien amount on your property tax bill. These costs will be \$25 at the time the WRCOG HERO Program is launched, will not exceed \$95, and will be adjusted in subsequent years for cost of living increases.
- f. **Interest Before First Payment:** Based on the date an assessment is recorded on your property, payments may not begin until the following year's tax statement. This is the amount of interest that is added to the assessment amount for the period between your closing date and the date of your first assessment payment. The maximum amount of interest will be listed on your Assessment Cost and Payment Summary, which will be provided with your Financing Documents.
- g. **Automated Valuation Model Disclosure.** You have the right and obligation to a copy of the automated valuation model (AVM) report used in connection with your application for credit. If you want to obtain a copy, please write to us at the mailing address we have provided. We must hear from you no later than 90 days after we provide you with a notice of the action taken on your application or a notice of incompleteness, or in the case of a withdrawn application, 90 days after the withdrawal. An AVM is not an appraisal. It is a computerized property valuation system that is used to derive a real property value.
- h. **Foreclosure.** Not later than October 1 each year, WRCOG shall determine whether any annual assessment is not paid when due and shall have the right and obligation to order that any such delinquent payment and its associated costs be collected by an action brought in Superior Court to foreclose the lien of the delinquent assessment installment in the manner provided and to the extent permitted by applicable law.
- i. **Mandatory Prepayment Redemption.** You have the option to pay off your assessment lien amount in full, or in increments of \$5,000, at any time. However, if you do so, you will have to pay (i) the principal amount of the assessment to be prepaid (the "Assessment Prepayment Amount"), (ii) a prepayment premium computed as set forth below, (iii) interest on the Assessment Prepayment Amount to the earlier of March 2 or September 2 occurring at least 90 days following the date the prepayment is made, and (iv) a processing fee (not to exceed \$500).

The prepayment premium is determined as follows:

Year 1:	5% of Prepaid Assessment Amount
Year 2:	4% of Prepaid Assessment Amount
Year 3:	3% of Prepaid Assessment Amount
Year 4:	3% of Prepaid Assessment Amount
Year 5:	3% of Prepaid Assessment Amount
Years 6-20:	No penalty.

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Disclosures Continued

- j. **No Endorsement, Warranty or Liability.** WRCOG, Renovate America, Inc. and the Program do not endorse any manufacturer, contractor, product, or system, or in any way warranty such equipment, installation, or the efficiency or production capability of any equipment. WRCOG, Renovate America, Inc. and the Program make no representations and have no responsibility regarding the equipment and its installation, including the quality, safety, cost savings, efficiency or production capability of any equipment; or any compliance of the equipment or its installation with any applicable laws, regulations, codes, standards or requirements. Further, WRCOG, Renovate America, Inc. and the Program shall not be in any way liable for any incidental or consequential damages resulting from the equipment or its installation.
- k. **Validation.** The Program may validate that installed Eligible Products meet Program eligibility requirements including requiring the applicant to provide additional sales receipts, contractor invoices, serial numbers or other identifying details, portions of packages or stickers originally attached to the installed Eligible Products beyond what the Program already requires to be provided. The Program may also conduct an inspection to validate installation of Eligible Products at qualified locations. You, by submitting this application, consent to any such onsite validations, which shall be conducted during normal business hours following advance notice to you. By submitting this application, you also agree to sign the authorization form to participate in billing energy usage analysis to measure Program impact savings and participant satisfaction.
2. Legal Disclosures
- a. **Equal Credit Opportunity Act (ECOA).** The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against Credit Applicant(s) on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant(s) income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal Agency that administers compliance with this law concerning this creditor is the Federal Trade Commission, Division of Credit Practices, Washington, D.C. 20580.
- b. **Fair Credit Reporting Act.** As part of assembling your Program application, WRCOG has requested a consumer report bearing your credit worthiness, credit standing and credit capacity. This notice is given to you pursuant to the Fair Credit Reporting Act.
- c. **The Housing Financial Discrimination Act Of 1977.** It is illegal to discriminate in the provision of or in the availability of financial assistance because of the consideration of:
- i. trends, characteristics or conditions in the neighborhood or geographic area surrounding a housing accommodation, unless the financial institution can demonstrate in the particular case that such consideration is required to avoid an unsafe and unsound business practice; or
 - ii. race, color, religion, sex, marital status, domestic partnership, national origin or ancestry.
- d. **Patriot Act Disclosure.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: As part of applying to the Program, WRCOG may be required to ask for your name, address, date of birth, and other information that will allow it to identify you. WRCOG may also need a copy of the driver's license or other identifying documents from any and all borrowers and guarantors.
- e. **Communications with Legal Advisers.** If you have any questions about any agreements or security instruments which affect the Property or to which you are a party, or about your authority to execute the Program Application or enter into an Assessment Contract with WRCOG without the prior consent of your existing lender(s), the Program strongly encourages you to consult with your own legal counsel and your lender(s). Program staff cannot provide you with advice about existing agreements or security instruments.

Property Owner Signature(s)

I declare that (i) I have received, read and understand the risks and characteristics of the Program described in the Property Owner Acknowledgments and Disclosures set forth in this Application and (ii) I have been informed that I must take the sole responsibility to satisfy myself that executing the Assessment Contract, receiving financing for Eligible Products, and consenting to the assessment levied against the Property will not constitute a default under any other agreement or security instrument (specifically the terms of any mortgage on the Property) which affects the Property or to which I am a party.

Property Owner 1 Signature_____
Date_____
Property Owner 2 Signature_____
Date



WRCOG HERO Financing™ Application

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Fax: (858) 385-0379
Email: wrcog@herofinancing.com

Address: 4080 Lemon Street, 3rd Floor, MS1032
 Riverside, CA 92501

FOR CONTRACTOR CALLIN ONLY

Contractor ID#

HERO ID#

Property Address

Property Type: ☐ Single Family Home ☐ Condo/Townhome ☐ Manufactured/Mobile Home ☐ Multi Family Home (1-4 units)

Property Address

City

State

Zip Code

Property Owner

Ownership Type: ☐ Individual ☐ Joint ☐ Trust ☐ Corporation/LLC/etc. ☐ Other: _____

First Name M Initial Last Name

Social Security Number - - - - - DOB Month / Day / Year Phone Number

Email Address

Mailing Address (if different from Property Address)

City

State

Zip Code

Property Owner 2

First Name M Initial Last Name

Social Security Number - - - - - DOB Month / Day / Year

Property Owner Signature(s)

I declare that I have the authority, without the consent of any third party which has not been previously obtained, to execute and deliver the Application, Assessment Contract, and the various documents and instruments referenced therein.

Property Owner 1 Signature

Date

Property Owner 2 Signature

Date

If you do NOT wish to receive email communications from the Program and would prefer all communications to occur through the U.S. mail instead, please contact us.

☐ Please check this box if you do NOT want to receive newsletters or other marketing materials from the Program or Renovate America, Inc.



Appendix D
**COMMERCIAL PROPERTIES
PROGRAM APPLICATION**



APPLICATION DATE:

____/____/____
(MONTH/DAY/YEAR)

FOR OFFICIAL USE ONLY

DATE RECEIVED: ____/____/____

FILE #: _____

CALIFORNIA COMMERCIAL HERO APPLICATION

PROPERTY OWNER QUALIFICATIONS:

YES	NO	
<input type="checkbox"/>	<input type="checkbox"/>	Property Owner(s) and/or Trustees are and have been current on all property debt for the past six (6) months, including no technical defaults.
<input type="checkbox"/>	<input type="checkbox"/>	Property Owner(s) and/or Trustees are current on property taxes with no more than one late payment during the past three (3) years.
<input type="checkbox"/>	<input type="checkbox"/>	Property Owner(s) and/or Trustees have no involuntary liens, defaults or judgments on the property.
<input type="checkbox"/>	<input type="checkbox"/>	Property Owner(s) and/or Trustees have not declared bankruptcy in the last seven (7) years and the property is not an asset in a bankruptcy.
<input type="checkbox"/>	<input type="checkbox"/>	Mortgage-related debt does not exceed 80% of the fair market value of the property, as defined in the Program Handbook.
<input type="checkbox"/>	<input type="checkbox"/>	Property has a debt service coverage ratio of 1.05 (or 105%) (calculated by dividing net operating income by total lender debt on property).

PROPERTY ADDRESS:

____ (STREET) _____ (CITY) _____ (STATE) _____ (ZIP CODE)

____ (ASSESSOR'S PARCEL NUMBER)

OCCUPANCY TYPE:

☐ Owner-Occupied ☐ Tenant-Occupied ☐ Both

DESCRIBE OCCUPANTS' BUSINESSES:

PROPERTY TYPE:

☐ Multi-Family (5+ units) ☐ Commercial ☐ Industrial ☐ Agricultural ☐ Other: _____

MAILING ADDRESS:

(if different from property address)

____ (STREET/P.O. BOX) _____ (APT./SUITE/ETC./) _____ (CITY) _____ (STATE) _____ (ZIP CODE)

PROPERTY OWNER TYPE:

☐ Individual ☐ Trust ☐ Corporation ☐ Partnership ☐ Other: _____

PROPERTY OWNER #1 INFORMATION (Should be person/entity who handles all program contacts):

NAME OF PROPERTY OWNER _____ (TAX ID # OR SSN) _____ NAME OF CONTACT PERSON, IF BUSINESS ENTITY OWNER _____

____ (PHONE NUMBER) _____ (ADDITIONAL PHONE NUMBER) _____ (EMAIL ADDRESS) _____ % OWNERSHIP _____

PROPERTY OWNER #2 INFORMATION:

(If there are additional Property Owners or Trustees, please provide additional sheet(s) with property owner information.)

NAME OF PROPERTY OWNER _____ (TAX ID # OR SSN) _____ NAME OF CONTACT PERSON, IF BUSINESS ENTITY OWNER _____

____ (PHONE NUMBER) _____ (ADDITIONAL PHONE NUMBER) _____ (EMAIL ADDRESS) _____ % OWNERSHIP _____



Assets	Amount	Liabilities	Amount
Cash in Banks		Notes Payable	
Accounts Receivable		Accounts Payable	
Notes Receivable		Income Tax Payable	
Securities Owned		Other Taxes Payable	
Real Estate		Mortgages or Liens on Real Estate	
Other Assets		Other Liabilities	
Total		Total	

Property Income (Annual)	Amount	Property Expenses (Annual)	Amount
Rent		Maintenance and Repairs	
Other Income		Property Taxes	
Interest		Property Insurance	
Total		Total	

Mortgages and Liens on Commercial Real Estate							
Property ID	To Whom Payable	1 st or 2 nd Mortgage?	Monthly Payment	Current?	Security	Maturity Date	Principal Remaining

If the property is cross-collateralized or cross-defaulted, please complete this section.

Commercial Real Estate Schedule							
Address / Type of Property	Title in Name of	How Held	Cost / Year Acquired	Monthly Income	Present Market Value	Total Balance Owed	

If the property is owner-occupied, please complete this section.

Notes Payable				
Name of Debtor	Collateral	Monthly Payment	Maturity Date	Total Amount Due

OTHER CRITERIA QUESTIONS

Please explain all "yes" answers on a separate sheet.

- | | | |
|--------------------------|--------------------------|---|
| YES | NO | |
| <input type="checkbox"/> | <input type="checkbox"/> | Do(es) the Property Owner(s) have any outstanding judgment(s)? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do(es) the Property Owner(s) have any tax obligations, including payroll or real estate taxes, that are past due? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is/Are the Property Owner(s) a party in any active or threatened lawsuit(s) or other legal action(s)? |
| <input type="checkbox"/> | <input type="checkbox"/> | Has(ve) the Property Owner(s) had property foreclosed or give title or deed in lieu thereof? |
| <input type="checkbox"/> | <input type="checkbox"/> | Has(ve) the Property Owner(s) compromised a debt or modified a mortgage loan in the last 12 months? |



For the listed insurance policy types, is there an active insurance policy for this property?

YES	NO	
<input type="checkbox"/>	<input type="checkbox"/>	Fire and Hazard insurance?
<input type="checkbox"/>	<input type="checkbox"/>	General Liability insurance?
<input type="checkbox"/>	<input type="checkbox"/>	Flood Insurance? Please check here if not in flood zone <input type="checkbox"/>

REQUIRED ATTACHMENTS:	
<input type="checkbox"/>	Completed rent rolls form.
<input type="checkbox"/>	Signed lender consent for each mortgage on the property to be improved.
<input type="checkbox"/>	12 month payment history for each mortgage on the property to be improved (account history print out (preferred) or mortgage statements).
<input type="checkbox"/>	Profit and Loss Statements and Tax Returns for past two years.
<input type="checkbox"/>	Proposed Improvements – Contractor Bid(s) or Consultant/Engineer Proposal

APPLICANT(S) SIGNATURES

By signing this Application, the undersigned hereby declares under penalty of perjury under the laws of the State of California that all property owner(s) and/or trustees have read, understand, and agree to all sections of the Program Handbook and that all information set forth in this Application is true, accurate, and complete.

_____ (Applicant Signature)	_____ (Date)	_____ (Applicant Signature)	_____ (Date)
_____ (Printed Name, Business Name, Title (if applicable))		_____ (Printed Name, Business Name, Title (if applicable))	
_____ (Applicant Signature)	_____ (Date)	_____ (Applicant Signature)	_____ (Date)
_____ (Printed Name, Business Name, Title (if applicable))		_____ (Printed Name, Business Name, Title (if applicable))	



RENT ROLL DETAILS FORM

DATE: _____

[illegible]

Rent Roll Certification:

I/We certify that the above information dated _____ for the property located at _____ is/are true and correct.

By: _____

Title:



EXHIBIT A

PROPOSED BUILDING IMPROVEMENTS

DESCRIPTION	ESTIMATED COST
1 Description: _____ Brand: _____ Model #: _____ Quantity: _____ Efficiency Level: _____ Estimated Annual Energy Savings/ Production (# Units): _____	\$ _____
2 Description: _____ Brand: _____ Model #: _____ Quantity: _____ Efficiency Level: _____ Estimated Annual Energy Savings/ Production (# Units): _____	\$ _____
3 Description: _____ Brand: _____ Model #: _____ Quantity: _____ Efficiency Level: _____ Estimated Annual Energy Savings/ Production (# Units): _____	\$ _____
ITEMIZED ESTIMATED COST OF IMPROVEMENT(S) A. (i) Construction contract(s) (bid price for cost of materials and labor less any applicable rebates): and/or (ii) If self-installing, cost of equipment (less applicable rebates; do not include any labor costs): B. Energy assessment/audit costs C. Draft, engineering and/or plan preparation costs: D. Estimated Permit fees: E. Recording Fee for Assessment Lien documents and assessment contract. Set by state law and the County Recorder's Office F. Title Costs G. Other Please list (Attach separate sheet(s) explaining other costs if needed.) Other: _____ Other: _____	\$ _____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____
Requested Financing Amount: This requested amount is the maximum amount that can be funded.	\$ _____
Loan Term (5, 10, 15, 20 years):	_____



EXHIBIT B

Fill in all contractors or sub-contractors working on the proposed project:

CONTRACTOR OR SUB-CONTRACTOR	CONTRACTOR COMPANY	CONTRACTOR NAME	CONTRACTOR LICENSE #
1 Circle One: Contractor or Sub-Contractor	_____	_____	_____
2 Circle One: Contractor or Sub-Contractor	_____	_____	_____
3 Circle One: Contractor or Sub-Contractor	_____	_____	_____
4 Circle One: Contractor or Sub-Contractor	_____	_____	_____
5 Circle One: Contractor or Sub-Contractor	_____	_____	_____
6 Circle One: Contractor or Sub-Contractor	_____	_____	_____
7 Circle One: Contractor or Sub-Contractor	_____	_____	_____
8 Circle One: Contractor or Sub-Contractor	_____	_____	_____
9 Circle One: Contractor or Sub-Contractor	_____	_____	_____

Appendix E

Assessment Contracts

CALIFORNIA HERO PROGRAM

ASSESSMENT CONTRACT

(Residential Property)

This Assessment Contract (this "Contract") is made and entered into as of this _____ day of _____, 20____, by and between the Western Riverside Council of Governments, a joint exercise of powers authority (the "Agent"), and the record owner(s) (the "Property Owner") of the fee title to the real property identified on Exhibit A (the "Property").

RECITALS

WHEREAS, the Agent is a joint exercise of powers authority the members of which include numerous cities and counties in the State of California; and

WHEREAS, the Agent has established the California HERO program (the "California HERO Program") to allow the financing of certain renewable energy, energy efficiency and water efficiency improvements that are permanently fixed to real property (the "Authorized Improvements") through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the Streets & Highways Code ("Chapter 29") and the issuance of improvement bonds under the Improvement Bond Act of 1915 (Streets and Highways Code Sections 8500 and following) (the "1915 Act") upon the security of the unpaid contractual assessments; and

WHEREAS, Chapter 29 provides that assessments may be levied under its provisions only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied pursuant to a contract between the property owner and the public agency; and

WHEREAS, the Agent has conducted the proceedings required by Chapter 29 with respect to the territory within the boundaries of the City or County identified in Exhibit A and which has elected to participate in the California HERO Program (the "Participating Entity"); and

WHEREAS, the Property is located in the boundaries of the Participating Entity, and the Participating Entity has consented to (i) owners of property within its jurisdiction (the "Participating Property Owners") participating in the HERO Program and (ii) the Agent conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance the Authorized Improvements; and

WHEREAS, pursuant to Chapter 29, the Agent and the Property Owner wish to enter into a contract pursuant to which the Property Owner would agree to pay an assessment in order to finance the installation on the Property of the Authorized Improvements described in Exhibit B (the "Improvements") and the Agent would agree to provide financing, all on the terms set forth in this Contract;

NOW, THEREFORE, in consideration of the foregoing and the material covenants hereinafter contained, the Property Owner and the Agent formally covenant, agree and bind themselves and their successors and assigns as follows:

AGREEMENT

Section 1. Purpose. The Property Owner and the Agent are entering into this Contract for the purpose of financing the installation of the Improvements identified on Exhibit B on the Property. The Agent will not finance installation of Improvements other than those listed on Exhibit B.

Section 2. The Property. This Contract relates to the real property identified on Exhibit A. The Property Owner has supplied to the Agent current evidence of its ownership of fee title to the Property and possesses all legal authority necessary to execute this Contract on behalf of the Property Owner.

Section 3. Contract to Pay Assessment; Prepayment; Non-Completion Assessment

(a) Payment of Assessment. The Property Owner hereby freely and willingly agrees to pay the assessment set forth on Exhibit B (the "Assessment"). The Agent will not provide financing in an amount in excess of the Assessment.

Except as otherwise set forth in this Contract, the Assessment will be paid in the installments set forth in Exhibit B.

Interest will accrue on the Assessment at the interest rate set forth on Exhibit B beginning on the date on which the Agent issues bonds to finance the installation of the Improvements.

(b) Administrative Expenses. The Property Owner hereby acknowledges that, pursuant to the 1915 Act, including Sections 8682(b) and 8682.1(a), the Agent may add amounts to an annual installment of the Assessment in order to pay for the costs of collecting the Assessment (the "Additional Administrative Assessment").

(d) Prepayment of the Assessment. The Assessment may be prepaid, in whole or in part in increments of \$5,000, at any time upon the payment of (a) the whole or a portion of the unpaid principal component of the Assessment, (b) the accrued but unpaid interest component of the whole or applicable portion of the unpaid principal component of the Assessment through the prepayment date, (c) a prepayment premium in the amount set forth on Exhibit B and (d) the reasonable costs of the Agent related to such prepayment.

(d) Absolute Obligation. The Property Owner hereby agrees that the Assessment will not be subject to reduction, offset or credit of any kind in the event that the bond or bonds secured thereby are refunded or for any other reason.

Section 4. Collection of Assessment; Lien. The Assessment, the interest and penalties thereon as a result of a delinquency in the payment of any installment of the Assessment, and the Additional Administrative Assessment shall constitute a lien against the Property until they are paid and shall be collected and shall have the lien priority as set forth in Chapter 29.

The Property Owner acknowledges that if any Assessment installment is not paid when due, the Agent has the right to have such delinquent installment and its associated penalties and interest stripped off the secured property tax roll and immediately enforced through a judicial foreclosure action that could result in a sale of the Property for the payment of the delinquent installments, associated penalties and interest, and all costs of suit, including attorneys' fees. The Property Owner acknowledges that, if bonds are sold to finance the Improvements, the Agent may obligate itself, through a covenant with the owners of such bonds, to exercise its judicial foreclosure rights with respect to delinquent Assessment installments under circumstances specified in such covenant.

Section 5. Financing of the Improvements.

(a) Contract to Finance Improvements. The Agent hereby agrees to use the Assessment, together with the Additional Administrative Assessment, to finance the Improvements, including the payment of the Agent's reasonable costs of administering the California HERO Program, subject to the Property Owner's compliance with the conditions for such financing established by the Agent.

(b) Assessment Installments. The Property Owner agrees to the issuance of bonds by the Agent to finance the installation of the Improvements. The interest rate used to calculate the Assessment installments set forth on Exhibit B is identified on Exhibit B. If the Agent determines in its reasonable discretion that the Assessment installments may be reduced because the applicable interest rate on the bonds issued to finance installation of the Improvements is lower than the interest rate specified in Exhibit B, or if the cost of the Improvements, as shown in a final invoice provided to the Agent by the Property Owner, is less than the amount shown on Exhibit B, then, concurrently with the disbursement of funds to the Property Owner, the Agent may provide the Property Owner with a schedule of annual Assessment installments that provides for annual installments that are less than those set forth in the attached Exhibit B.

Section 6. Term: Contract Runs with the Land: Subdivision.

(a) Except as otherwise set forth in this Contract, this Contract shall expire upon the final payment or prepayment of the Assessment.

(b) This Contract establishes rights and obligations that are for the benefit of the Property and, therefore, such rights and obligations run with the land pursuant to Civil Code Section 1462.

(c) In the event the Property is subdivided while the Assessment remains unpaid, the Assessment will be assigned to the newly-created parcel on which the Improvements are located. If the Improvements no longer exist, the Assessment will be assigned to each of the newly-created parcels on a per-acre basis, unless the Agent, in its sole discretion, determines that the Assessment should be allocated in an alternate manner.

Section 7. Recordation of Documents. The Property Owner hereby authorizes and directs the Agent to cause to be recorded in the office of the County Recorder the various notices and other documents required by Chapter 29 and other applicable laws to be recorded against the Property.

Section 8. Notice. To the extent required by applicable law, the Property Owner hereby agrees to provide written notice to any subsequent purchaser of the Property of the obligation to pay the Assessment pursuant to this Contract.

Section 9. Waivers, Acknowledgment and Contract. Because this Contract reflects the Property Owner's free and willing consent to pay the Assessment following a noticed public hearing, the Property Owner hereby waives any otherwise applicable requirements of Article XIII D of the California Constitution or any other provision of California law for an engineer's report, notice, public hearing, protest or ballot.

The Property Owner hereby waives its right to repeal the Assessment by initiative or any other action, or to file any lawsuit or other proceeding to challenge the Assessment or any aspect of the proceedings of the Agent undertaken in connection with the California HERO Program. The Property Owner hereby agrees that the Property Owner and its successors in interest to fee title in the Property shall be solely responsible for the installation, operation and maintenance of the Improvements. The Property Owner hereby acknowledges that the Property will be responsible for payment of the Assessment regardless of whether the Improvements are properly installed, operated or maintained as expected.

The Property Owner hereby agrees that the Agent is entering into this Contract solely for the purpose of assisting the Property Owner with the financing of the installation of the Improvements, and that the Agent and the Participating Entity have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of the Improvements. Based upon the foregoing, the Property Owner hereby waives the right to recover from and fully and irrevocably releases the Agent, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of the Agent and the Participating Entity from any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees), relating to the subject matter of this Contract that the Property Owner may now have or hereafter acquire against the Agent, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of the Agent or the Participating Entity.

To the extent that the foregoing waivers and agreements are subject to Section 1542 of the California Civil Code or similar provisions of other applicable law, it is the intention of the Property Owner that the foregoing waivers and agreements will be effective as a bar to any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees), of whatever character, nature and kind, known or unknown, suspected or unsuspected, and Property Owner agrees to waive any and all rights and benefits conferred upon the Property Owner by the provisions of Section 1542 of the California Civil Code or similar provisions of applicable law. Section 1542 reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

By initialing below, the Property Owner agrees to waive the provisions of Section 1542 in connection with the matters that are the subject of the foregoing waivers and releases.

Property Owner's Initials: _____

The waivers, releases and agreements set forth in this Section 9 shall survive termination of this Contract.

Section 10. Indemnification. The Property Owner agrees to indemnify, defend, protect, and hold harmless the Agent, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of the Agent or the Participating Entity, from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) and any demands of any nature whatsoever related directly or indirectly to, or arising out of or in connection with (i) the Property Owner's participation in the California HERO Program, (ii) the Assessment, (iii) the Improvements, or (iv) any other fact, circumstance or event related to the subject matter of this Contract, regardless of whether such losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) accrue before or after the date of this Contract.

The provisions of this Section 10 shall survive the termination of this Contract.

Section 11. Right to Inspect Property. The Property Owner hereby grants the Agent, its agents and representatives the right to enter at any reasonable time, upon reasonable notice, to inspect the Improvements. The Property Owner further hereby grants the Agent, its agents and representatives the right to examine and copy any documentation relating to the Improvements.

Section 12. Carbon Credits. The Property Owner hereby agrees that any carbon credits attributable to the Improvements shall be owned by the Agent.

Section 13. HERO Application. The Property Owner hereby represents and warrants to the Agent that the information set forth in the California HERO Program Application submitted to the Agent in connection with its request for financing is true and correct as of the date hereof, and that the representations set forth in the California HERO Program Application with respect to the Property and the Property Owner are true and correct as of the date hereof as if made on the date hereof.

Section 14. Amendment. Except as set forth in Section 5(b), this Contract may be modified only by the written agreement of the Agent and the Property Owner.

Section 15. Binding Effect; Assignment. This Contract inures to the benefit of and is binding upon the Agent, the Property Owner and their respective successors and assigns. The Agent has the right to assign any or all of its rights and obligations under this Contract without the consent of the Property Owner. The obligation to pay the Assessment set forth in this Contract is an obligation of the Property and no agreement or action of the Property Owner will be competent to impair in any way the Agent's rights, including, but not limited to, the right to pursue judicial foreclosure of the Assessment lien or the right to enforce the collection of the Assessment or any installment thereof against the Property.

Section 16. Exhibits. The Exhibits to this Contract are incorporated into this Contract by this reference as if set forth in their entirety in this Contract.

Section 17. Severability. If any provision of this Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision of this Contract.

Section 18. Corrective Instruments. The Agent and the Property Owner agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required in order to carry out the expressed intention of this Contract.

Section 19. Governing Law: Venue. This Contract is governed by and construed in accordance with the laws of the State of California. Any legal action brought under this Contract must be instituted in the Superior Court of the County of _____, State of California; provided, however, actions to foreclose delinquent installments of the Assessment will be instituted in the superior court of the County or as otherwise provided by law.

Section 20. Counterparts. This Contract may be executed in several counterparts, each of which is an original and all of which constitutes one and the same instrument.

Section 21. Contract Documents. Property Owner understands and acknowledges that the entire agreement between Property Owner and Agent includes each and every document specified in the List of Documents contained in Exhibit B to this Contract (together, the "Contract Documents").

By executing this Contract Property Owner acknowledges and agrees that:

a. Property Owner has had sufficient time to review and has reviewed each of the Contract Documents and has had the opportunity to ask any questions to the Agent that Property Owner may have regarding such Contract Documents.

b. Property Owner has reviewed, understands and agrees to each and every additional requirement and term contained in Appendix B to the HERO Residential Program Handbook (the "Handbook").

c. Property Owner has reviewed, understands, agrees to and affirms each and every representation and warranty contained in the Property Owners application and the Handbook.

IN WITNESS WHEREOF, the Agent and the Property Owner have caused this Contract to be executed in their respective names by their duly authorized representatives, all as of the date first above written.

IN WITNESS WHEREOF , Owner and Agent have entered into this Contract as of the Effective Date.			
Owner 1:		Owner 2:	
[OWNER 1 NAME]		[OWNER 2 NAME]	
<i>Owner 1 Name (Please Print)</i>		<i>Owner 2 Name (Please Print)</i>	
By:		By:	
<i>Owner 1 Signature</i>		<i>Owner 2 Signature</i>	
Date of Execution by Owner 1:		Date of Execution by Owner 2:	
, 20		, 20	
<i>Date</i>	<i>Year</i>	<i>Date</i>	<i>Year</i>

Agent: Executive Director and/or his or her designee
<i>Name (Please Print)</i>
By:
<i>Agent Signature</i>
Date of Execution by Agent:

EXHIBIT A**DESCRIPTION OF PROPERTY, DESCRIPTION OF THE PRODUCTS, AND NOTICE INFORMATION,****Description of Property:**

Owner(s) Name(s):

Property Address:

APN:

Participating Member Agency:

Description of Products:

The Products include the following:

[List of Products]

Or similar energy efficient product which is allowed under the Program Guide.

Notice Information:

EXHIBIT B**LIST OF CONTRACT DOCUMENTS, DISBURSEMENT, AND
SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS, INCLUDING PRINCIPAL,
INTEREST AND ANNUAL ASSESSMENT ADMINISTRATIVE FEE****List of Contract Documents:**

The Contract shall consist of the following documents:

- This Contract and the exhibits hereto;
- The Application;
- The Completion Certificate;
- The Assessment Cost and Payment Summary;
- The Notice of Assessment;
- The Payment of Contractual Assessment Required;
- The California HERO Residential Program Handbook;
- The California HERO Program website located at www.wrcog.cog.ca.us.

Disbursement:

The Maximum Disbursement Amount is \$_____.

The Estimated Disbursement Date will be no later than _____, which date is used in the table below.

Schedule of Estimated Maximum Annual Assessment Installments:

The schedule of the estimated maximum Annual Assessment Installments is based on the following assumptions:

1. The Agent disburses the Maximum Disbursement Amount to Owner.
2. Interest totaling a maximum of \$_____ will accumulate until your first Payment. That amount will be added to Owner's Maximum Disbursement Amount.
3. The Agent disburses to Owner on the Estimated Disbursement Date.
4. The Assessment Interest Rate is _____ %
5. The Annual Percentage Rate (APR) of your assessment is _____ %. APR is the Effective Cost of Credit in consumer loans and real estate loans expressed as a percentage interest rate. The annual percentage rate is the interest rate the borrower actually pays, including fees required in order to participate in the program.
6. The total administrative fees, recording fees and annual assessment added to your assessment is \$_____

Tax Year (commencing July 1)	Principal (a)	Interest (b)	Administrative Expenses (c)	Total (a) + (b) + (c)
20__ - 20__ *				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				
20__ - 20__				

*Initial Tax Year

FOLLOWING THE DISBURSEMENT OF THE DISBURSEMENT AMOUNT, THE PROGRAM ADMINISTRATOR WILL ADJUST THE ASSESSMENT AND THE ESTIMATED MAXIMUM ANNUAL ASSESSMENT INSTALLMENTS, IF NECESSARY, TO REFLECT THE ACTUAL ASSESSMENT BASED UPON THE ACTUAL DISBURSEMENT AMOUNT, THE ACTUAL DATE OF DISBURSEMENT AND THE ACTUAL AMOUNT OF INTEREST DUE AND PAYABLE BEFORE THE FIRST PAYMENT ADDED TO THE DISBURSEMENT AMOUNT. THE ACTUAL AMOUNT OF THE ASSESSMENT AND SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS SHALL BE SPECIFIED IN THE "PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED" TO BE RECORDED BY THE AUTHORITY IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF _____.

Prepayment :

You have a right to pay off your assessment lien amount in full, or in part in increments of \$5,000 at any time pursuant to Section 11 of the Assessment Contract. However, if you do so, you will have to pay (i) the principal amount of the assessment to be prepaid (the "Assessment Prepayment Amount"), (ii) a prepayment premium if you prepay within the first five years from the Effective Date (if you prepay after the first five years, there is no prepayment premium), see table below, (iii) interest on the Assessment Prepayment Amount to the earlier of March 2 or September 2 occurring at least 90 days following the date of the prepayment is made, and (vi) a processing fee (not to exceed \$500).

The prepayment premium shall be the percentage of the principal amount of the Assessment to be prepaid as follows:

Next Bond Interest Payment Date	Prepayment Premium
September 2, ____ or March 2, ____	5%
September 2, ____ or March 2, ____	4%
September 2, ____ or March 2, ____	3%
September 2, ____ or March 2, ____	3%
September 2, ____ or March 2, ____	3%
September 2, ____ or any interest payment date thereafter	0%

CALIFORNIA HERO PROGRAM
ASSESSMENT CONTRACT
(Commercial Property)

This Assessment Contract (“Contract”) is made and entered into as of the Effective Date (defined below) by and between the Western Riverside Council of Governments, California, (“Agent”), a joint exercise of powers authority, and **[OWNER(S)]** (“Owner”), the record owner of fee title to the real property identified in the “Description of Property” section of Exhibit A attached hereto and incorporated herein by this reference (the “Property”). The “Effective Date” is defined as the last date entered with the signatures of the parties below.

RECITALS

- A. The Western Riverside Council of Governments (Agent) is a joint exercise of powers authority the members of which include the County of San Bernardino (the “County”) and numerous cities located in the County (each, a “Member Agency”).
- B. Agent has established the “California HERO Program” (the “Program”) pursuant to Chapter 29 of Division 7 of the Streets & Highways Code of the State of California (“Chapter 29”) to allow for the financing of certain renewable energy, energy efficiency and water efficiency and electric vehicle charging infrastructure improvement products that are permanently affixed to real property (“Eligible Products”).
- C. Pursuant to Chapter 29 and the Program, Agent may levy voluntary contractual assessments against developed properties in the jurisdictions of the Associate Members that have authorized Agent to implement and administer the Program within such Associate Members, with the free and willing consent of the owners of the properties on which such assessments are levied, to finance the acquisition and construction on and/or installation in the assessed properties of certain qualifying renewable energy, energy efficiency and/or water efficiency products or electric vehicle charging infrastructure. The purpose and method of administration of the assessments under the Program are described in the California HERO Program Report originally adopted by the Agent Board of Directors on June 3, 2013, as such report has been and may be amended from time to time (the “Program Report”) prior to the Effective Date of this Contract.
- D. The Property is located within the jurisdiction of the Associate Member set forth in the “Description of Property” section of Exhibit A hereto and such Associate Member has consented to (i) owners of property within its jurisdiction participating in the Program and (ii) Agent conducting the assessment proceedings under Chapter 29 and issuing bonds pursuant to the Program to finance Eligible Products.
- E. Owner has submitted an application and funding request to participate in the Program (collectively, the “Application”). Agent has approved the Application pursuant to the requirements of the Report. The Application describes, among other things, the particular Eligible Products that have been acquired, constructed on and/or installed in the Property and are to be financed pursuant to the Program. In this Contract, such Eligible Products, together with their acquisition, construction and/or installation on the Property, are referred to as “the Products.”
- F. Owner will acquire and construct and/or install the Products on or in the Property or will cause the acquisition and construction and/or installation of the Products on or in the Property and Owner will obtain all necessary permits and/or inspections required pursuant to this Contract and the Program necessary to enable Agent to finance the Products.
- G. Pursuant to Chapter 29 and the Program, Agent and Owner wish to enter into a contract pursuant to which Owner agrees to pay a voluntary contractual assessment in order to finance the Products including the acquisition, construction and/or installation of thereof and Agent agrees to providing financing for such purpose, all on the terms set forth in this Contract.

NOW THEREFORE, in consideration of the foregoing and the mutual material covenants contained herein and other valuable consideration, the receipt and adequacy of which is hereby acknowledged, Owner and Agent formally covenant and agree as follows:

CONTRACT

- 1) **Purpose** The Owner and Agent are entering into this Contract for the purpose of financing the acquisition, construction and/or installation of the Products identified in Exhibit A in or on the Property.
- 2) **The Property** This Contract relates to the Property identified in Exhibit A.
- 3) **Contract Documents** This Contract shall consist of the documents listed in Exhibit B attached hereto and incorporated herein by this reference.

All such documents shall be collectively referred to herein as the "Contract Documents." All of the declarations and warranties of Owner made in the Application are incorporated in this Contract as if fully set forth herein. Owner acknowledges that Owner has received copies of each of the Contract Documents.

OWNER AGREES AND UNDERSTANDS THAT OWNER MUST EXECUTE AND RETURN THIS CONTRACT SO THAT SUCH CONTRACT IS RECEIVED BY Agent OR ITS REPRESENTATIVE ON OR BEFORE THE DEADLINE DATE SET FORTH ON THE SIGNATURE PAGE HEREOF AND THAT ALL SIGNATURES MUST BE NOTARIZED BY A DULY LICENSED NOTARY PUBLIC.

- 4) **Contract Term** The term of this Contract shall be until the Assessment defined below and all accrued interest thereon, together with any applicable penalties, costs, fees, and other charges have been paid in full.
- 5) **Assessment and Lien**
 - a) Owner agrees that upon the execution of this Contract by the parties, the Property is subject to a voluntary contractual assessment levied against the Property pursuant to this Contract, Chapter 29 and other applicable law (the "Assessment") together with interest, and consents to levy of the Assessment on and recordation of a lien against the Property. Upon execution of this Contract, Agent will execute and cause to be recorded in the office of the County Recorder of the County within which the Property is located (the "County") (i) a notice of assessment (the "Notice of Assessment") as required pursuant to Chapter 29, together with a copy of this Contract and (ii) a Payment of Contractual Assessment Required as required pursuant to Chapter 29.
 - b) The execution of this Contract by the parties constitutes the levy of the Assessment by Agent against the Property without any further action required by the parties.
 - c) Upon recordation of the Notice of Assessment in the office of the County Recorder, the Assessment and each installment, together with any interest and penalties that become due on the Assessment, shall constitute a lien upon the Property until paid. Initially, as reflected in the Notice of Assessment, upon recordation of the Notice of Assessment, the Assessment shall be equal to the Disbursement Amount, as defined in Section 6 below.
 - d) Failure to pay any installment of the Assessment or any interest thereon, like failure to pay any property taxes pertaining to the Property, will result in penalties and interest accruing on the amounts due. In addition, under those circumstances, Agent has the right to judicially foreclose the lien of the Assessment, as set forth in paragraph 8(g) below.

- 6) **Disbursement Amount** Agent agrees to disburse monies to or on behalf of Owner pursuant to the terms of this Contract in the amount set forth in Exhibit B attached hereto and incorporated herein by this reference ("Disbursement Amount"). In the event the actual cost of the Products exceeds the Disbursement Amount, Owner shall be solely responsible for the payment of all such costs.
- 7) **Special Benefit to Property** Owner expressly acknowledges that the Products confer a special benefit to the Property in an amount at least equal to the Assessment.
- 8) **Collection of Assessment and Annual Assessment Administrative Fee on Property Tax Bill; Other Remedies**

- a) The annual portion of the principal amount of the Assessment, together with the annual interest on the Assessment and the Annual Assessment Administrative Fee (defined in paragraph f) below) (collectively, the "Annual Assessment Installment"), due and payable each Tax Year (each such Tax Year being the period from July 1st through the following June 30th), shall be collected on the property tax bill pertaining to the Property. The Annual Assessment Installment coming due in any Tax Year shall be payable in the same manner and at the same time and in the same installments as the general taxes of the County on real property are payable, and the Annual Assessment Installments shall be payable and become delinquent at the same times and in the same proportionate amounts and shall bear the same penalties and interest after delinquency, and be subject to the same provisions for redemption and sale, as the general taxes on real property of the County.
- b) Following disbursement of the Disbursement Amount to the Owner, the Annual Assessment Installments shall be placed on the tax roll each Tax Year, commencing with the Tax Year beginning immediately following the date of such disbursement (the "Disbursement Date"). The estimated initial Tax Year is set forth in Exhibit B attached and incorporated by this reference (the "Estimated Initial Tax Year").

The amount of interest accrued on the Assessment from the Disbursement Date through September 1st of the Initial Tax Year ("Capitalized Interest") has been included in the Disbursement Amount and is therefore included in the principal amount of the Assessment.

- c) Interest shall accrue on the unpaid Assessment from the Disbursement Date at a simple interest rate fixed by Agent and set forth on Exhibit B attached hereto and incorporated herein by this reference. Interest shall be computed on the basis of a three hundred sixty (360) day year. If a court of competent jurisdiction determines the interest or other charges provided for herein in connection with the Assessment or the Annual Assessment Administrative Fee exceed the limits permitted by applicable law, then: (i) any such interest or charge shall be reduced by the amount necessary to reduce the interest or charge to such permitted limit; and (ii) any sums already collected which exceed such permitted limit will be refunded by Agent. Agent may make the refund by making a direct payment to Owner or by crediting the refund amount against the next installment or installments of the Assessment.
- d) The Estimated Maximum Annual Assessment Installments that may be placed on the tax roll each Tax Year are set forth in Exhibit B. The amounts set forth on Exhibit B are based on the assumption that Agent disburses the Disbursement Amount to or on behalf of Owner on the Estimated Disbursement Date set forth in Exhibit B. Prior to the disbursement of the Disbursement Amount, Agent will adjust the Annual Assessment Installments to reflect the actual Assessment based upon the Disbursement Amount, the actual date of such disbursement and the actual amount of Capitalized Interest.
- e) The lien of the Assessment shall be co-equal to and independent of the lien for general taxes, and, pursuant to Government Code Section 53936, not subject to extinguishment by the sale of the Property on account of the nonpayment of any taxes, and prior and superior to all liens, claims and encumbrances on or against the Property except (i) the lien for general taxes, special taxes or ad valorem assessments in the nature of and collected as taxes levied by the State of California or any county, city, special district

or other local agency, (ii) the lien of any special assessment or assessments the lien date of which is prior in time to the lien date of the Assessment, (iii) easements constituting servitudes upon or burdens to the Property, (iv) water rights, the record title to which is held separately from the title to the Property, and (v) restrictions of record.

- f) In addition to the Assessment, until the Assessment and the interest thereon is paid in full, Owner agrees that the Property is subject to an annual administrative fee to be included in the Annual Assessment Installment pursuant to this Contract, Chapter 29 and applicable law to pay costs incurred by Agent which result from the administration and collection of the Assessment and from the administration or registration of any associated bonds or other financing arrangement, as described in the Report, and from the administration of any reserve fund and other related funds (the "Annual Assessment Administrative Fee"). The maximum Annual Assessment Administrative Fee shall not exceed fifty dollars (\$50.00) in Tax Year commencing on July 1, 2015 and shall thereafter be adjusted annually commencing on July 1 of each subsequent Tax Year for cost of living based on the U.S. Department of Labor, Bureau of Labor Statistics, and Consumer Price Index for all urban consumers for applicable to the County of San Bernardino. Agent shall annually determine the amount of the Annual Assessment Administrative Fee, not to exceed the maximum Annual Assessment Administrative Fee determined in accordance with the preceding sentence.
- g) Owner acknowledges and understands that, no later than October 1 of each year, Agent will determine whether the Property is delinquent in the payment of any Assessment Installments and, if so, will notify Agent Counsel of any such delinquencies. Agent Counsel will commence, or cause to be commenced, judicial foreclosure proceedings against the Property, including collection actions preparatory to the filing of any complaint, but will file the complaint not later than December 1 of such year. Failure of such a complaint to be filed by such December 1 shall not, however, invalidate any judicial foreclosure proceedings commenced after such date.

- 9) **Use of Proceeds** Owner shall use the Disbursement Amount for the sole purpose of paying for the reasonable costs and expenses of the Products on the Property, for the Program fees, and capitalized interest.

10) Disbursement Procedures

- a) Notwithstanding anything to the contrary contained herein, Agent shall have no obligation to disburse funds to Owner unless and until each of the following conditions is satisfied, or any such condition is expressly waived by Agent:
 - i) Owner has, as appropriate, executed and delivered to Agent the Contract Documents and such other documents or instruments pertaining to the Disbursement Amount or the Products as Agent may require.
 - ii) As of the Disbursement Date, Agent shall have determined that the representations of Owner contained in the Contract Documents are true and correct, and no Default (as defined in Section 18 below) shall have occurred and be continuing.
 - iii) No stop payment or mechanic's lien notice pertaining to the Products has been filed and remains in effect as of the Disbursement Date.
 - iv) Owner will, within fifteen (15) days of presentation by Agent or the representative thereof, execute any and all documents or instruments required by the Contract Documents in connection with the disbursement of funds to Owner, other than this Contract, which must be executed by the date set forth on the Signature Page below.

- b) Upon satisfaction or waiver of the conditions described in paragraph (a), above, Agent will disburse funds to or on behalf of the Owner.

11) Prepayment of Assessment Owner may prepay the remaining balance of the Assessment by paying the principal amount or a portion of the Assessment in increments of \$5,000 owing on the Assessment, plus the applicable prepayment premium, if any, calculated on the principal amount of the Assessment to be prepaid, processing fee and accrued interest determined by Agent in accordance with this Contract and the Report, and the amount of any delinquent installments of principal of and interest on the Assessment, together with penalties accrued to the date of prepayment. The processing fee and schedule of prepayment premiums is set forth in Exhibit B hereto.

Interest on the Assessment shall accrue until the next available redemption date for any bond or bonds issued pursuant to a financing relationship contemplated by the Report and which bond or bonds are secured by the Assessment. Such redemption date shall not exceed 180 days from the date of prepayment of the Assessment. Owner shall notify Agent in writing of Owner's determination to prepay the Assessment at least ten (10) business days prior to the date Owner intends to prepay the Assessment.

12) Representations and Warranties of Owner Owner promises that each representation and warranty set forth below is true, accurate and complete as of the date of this Contract. By accepting the Disbursement Amount, Owner shall be deemed to have reaffirmed each and every representation and warranty made by Owner in this Contract and in the Application, as of the date of disbursement. If Owner is comprised of the trustees of a trust, the following representations shall also pertain to the trustor(s) of the trust.

- a) Formation: If Owner is anything other than a natural person, it has complied with all laws and regulations concerning its organization, existence and the transaction of its business, and is in good standing in each state in which it conducts its business.
- b) Authority: Owner is the owner of the Property and is authorized to execute, deliver and perform its obligations under the Contract Documents, and all other documents and instruments delivered by Owner to Agent in connection therewith. The Contract Documents have, if required, been duly executed and delivered by Owner and are valid and binding upon and enforceable against Owner in accordance with their terms, and no consent or approval of any third party, which has not been previously obtained by Owner, is required for Owner's execution thereof or the performance of its obligations contained therein.
- c) Compliance with Law: Neither Owner nor the Property is in violation of, and the terms nor provisions of the Contract Documents conflict with, any regulation or ordinance, any order of any court or governmental entity, or any building restrictions or governmental requirements affecting the Property.
- d) No Violation: The terms and provisions of the Contract Documents, the execution and delivery of the Contract Documents by Owner, and the performance by Owner of its obligations contained in the Contract, will not and do not conflict with or result in a breach of or a default under any of the terms or provisions of any other agreement, contract, covenant or security instrument by which Owner or the Property is bound.
- e) Other Information: All reports, documents, instruments, information and forms of evidence which have been delivered to Agent related to Owner's application for the Program funding are accurate, correct and sufficiently complete to give Agent true and accurate knowledge of their subject matter.
- f) Lawsuits: There are no lawsuits, tax claims, actions, proceedings, investigations or other disputes pending or threatened against Owner or the Property which may impair Owner's ability to perform its obligations hereunder, or which may impair Agent's ability to levy and collect the Assessment and Annual Assessment Installments.

- g) No Event of Default: There is no event which is, or with notice or lapse of time or both would be, a Default under this Contract.
- h) Accuracy of Declarations: The declarations of Owner contained in the Application are accurate, complete and true.

13) Owner's Covenants Owner promises:

- a) Installation and Maintenance of Products: Owner shall cause its contractor(s) to install the Products, in a good and workmanlike manner and in accordance with sound construction and installation practices. Owner shall maintain the Products in good condition and repair.
- b) Compliance with Law and Agreements: Owner shall complete all Products, or cause the Products to be completed, in conformity with all applicable laws, including all applicable federal, state, and local occupation, safety and health laws, rules, regulations, standards, and recorded instruments, covenants or agreements affecting the Property. Owner shall comply with and keep in effect all permits, licenses, and approvals required to complete installation of the Products.
- c) Site Visits: Owner grants Agent, its agents and representatives the right to enter and visit the Property at any reasonable time, after giving reasonable notice to Owner, for the purposes of observing the Products. Agent will make reasonable efforts during any site visit to avoid interfering with Owner's use of the Property. Owner shall also allow Agent to examine and copy records and other documents of Owner which relate to the Products. Any site visit, observation or examination by Agent shall be solely for the purposes of protecting Agent's rights under the Contract Documents.
- d) Protection Against Lien Claims: Owner shall promptly pay or otherwise discharge any claims and liens for labor done and materials and services furnished to the Property in connection with the Products. Owner shall have the right to contest in good faith any claim or lien, provided that it does so diligently and without delay in completing the Products.
- e) Notice to Successors in Interest: Owner agrees to provide written notice to any subsequent purchaser of the Property that the Property is subject to a Program assessment lien, and to provide any subsequent purchaser a copy of this Contract.
- f) Insurance: If the Disbursement Amount exceeds \$50,000, Owner shall provide, maintain and keep in force at all times until the Products are completed, builder's all risk property damage insurance on the Property, with a policy limit equal to the amount of the Disbursement Amount.
- g) Notices: Owner shall promptly notify Agent in writing of any Default under this Contract, or any event which, with notice or lapse of time or both, would constitute a Default hereunder.

14) Mechanic's Lien and Stop Notices In the event of the filing of a stop notice or the recording of a mechanic's lien pursuant to applicable law of the State of California and relating to the Products, Agent may summarily refuse to disburse any funds to Owner, and in the event Owner fails to furnish Agent a bond causing such notice or lien to be released within ten (10) days of notice from Agent to do so, such failure shall at the option of Agent constitute a Default under the terms of this Contract. Owner shall promptly deliver to Agent copies of all such notices or liens.

15) Owner Responsibility; Indemnification

- a) Owner acknowledges that Agent has established the Program solely for the purpose of assisting the owners of property in the Agent subregion with the financing of the acquisition, construction, and installation of Eligible Products. The Program is a financing program only. Neither Agent, its officials,

agents, employees, attorneys and representatives, are responsible for selection, management or supervision of the Products or of the Products' performance. Owner acknowledges and understands that any issues related to performance of the Products should be discussed with chosen contractors or installers, and the manufacturer or distributor of the Products.

- b) To the extent permitted by law, Owner shall indemnify, defend, protect, and hold harmless Agent and any and all officials, agents, employees, attorneys and representatives of Agent, the purchasers of any bonds issued to finance the installation of the Products from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorneys' fees) and any demands of any nature whatsoever related directly or indirectly to, or arising out of or in connection with, (i) the Contract Documents, (ii) disbursement of the Disbursement Amount, (iii) the Products, (iv) any breach or Default by Owner under the Contract Documents, (v) the levy and collection of the Assessment and the Annual Assessment Administrative Fee, (vi) the imposition of the lien of the Assessment, and (vii) any other fact, circumstance or event related to Agent's extension and payment of the Disbursement Amount to or on behalf of Owner or Owner's performance of its obligations under the Contract Documents (collectively, the "Liabilities"), regardless of whether such Liabilities shall accrue or are discovered before or after the Disbursement. If the Property is located in an incorporated area, this indemnity shall extend to officials, agents, employees, attorneys and representatives of the city in which the Property is located. If the Property is located in an unincorporated area, this indemnity shall extend to officials, agents, employees, attorneys and representatives of the County. This indemnity shall also extend to the purchasers of any bonds issued to finance the installation of the Products and such purchasers' officials, agents, employees, attorneys and representatives. Each of the parties to which the indemnifications provided for in this paragraph b) extend shall be referred to as the "Indemnified Parties."
- c) The indemnity obligations described in this Section shall survive the disbursement of funds to Owner, the payment of the Assessment in full, the transfer or sale of the Property by Owner, and the termination of this Contract.

16) Waivers, including Waiver of Claims

- a) Because this Contract reflects Owner's free and willing consent to enter into this Contract and to pay the Assessment and the Annual Administrative Assessment Fee, Owner hereby waives any otherwise applicable requirements for or right to the preparation of an engineer's report, notice of public hearing, public hearing, protest or opportunity to submit an assessment ballot in support of or in opposition to the Assessment pursuant to Article XIIID of the California Constitution, the Proposition 218 Omnibus Implementation Act (commencing at California Government Code Section 53750) and any other provision of California law.

Owner agrees and acknowledges that the Assessment is not a "tax" as used in Section 1(e) of Article XIIIC of the California Constitution and that if such Assessment is a levy, charge, or exaction of any kind by Agent, it is a charge imposed for a specific benefit conferred or privilege granted to Owner that is not provided to those not charged, and which does not exceed the reasonable costs to Agent of conferring the benefit or granting the privilege to Owner. Owner further knowing and voluntarily waives any otherwise applicable requirements for or rights granted under Article XIIIA or XIIIC pertaining to the Assessment.

Owner hereby waives Owner's right to repeal or reduce the Assessment by initiative or any other action, or to file any lawsuit or other proceeding, at law or in equity, to challenge the validity of the Assessment or the proceedings of Agent, or any portion thereof, undertaken in connection with the establishment of the Program.

- b) For and in consideration of Agent's execution and delivery of this Contract, Owner, for itself and for its successors-in-interest to the Property and for any one claiming by, through, or under Owner, hereby waives the right to recover from and fully and irrevocably releases the Indemnified Parties and each of them from any and all claims, obligations, liabilities, causes of action, or damages, including attorneys' fees and court costs, that Owner may now have or hereafter acquire against any of Indemnified Parties and accruing from or related to (i) the Contract Documents, (ii) the disbursement of the Disbursement Amount, (iii) the levy and collection of the Assessment and the Annual Assessment Administrative Fee, (iv) the imposition of the lien of the Assessment, (v) the issuance and sale of any bonds or other evidences of indebtedness, or other financial arrangements entered into by Agent pursuant to the Program, (vi) the performance of the Products, (vii) the Products, (viii) any damage to or diminution in value of the Property that may result from construction or installation of the Products, (ix) any personal injury or death that may result from the construction or installation of the Products, (x) the selection of manufacturer(s), dealer(s), supplier(s), contractor(s) and/or installer(s), and their action or inaction with respect to the Products, (xi) the merchantability and fitness for any particular purpose, use or application of the Products, (xii) the amount of energy savings resulting from the Products and the Products, (xiii) the workmanship of any third parties, and (xiv) any other matter with respect to the Program. This release includes claims, obligations, liabilities, causes of action, and damages of which Owner is not presently aware or which Owner does not suspect to exist which, if known by Owner, would materially affect Owner's release of the Indemnified Parties.

OWNER HEREBY ACKNOWLEDGES THAT IT HAS READ AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542 ("SECTION 1542"), WHICH IS SET FORTH BELOW:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

BY INITIALING BELOW, OWNER HEREBY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES. **Owner's Initials:** _____

The waivers and releases by Owner contained in this Section 16 shall survive the disbursement of the Disbursement Amount, the payment of the Assessment in full, the transfer or sale of the Property by Owner, and the termination of this Contract.

- 17) Further Assurances** Owner shall execute any further documents or instruments consistent with the terms of this Contract, including documents and instruments in recordable form, as Agent shall from time to time find necessary or appropriate to effectuate its purposes in entering into this Contract and disbursing funds to Owner.

18) Events of Default

- a) Remedies with respect to the nonpayment of the Assessment or other amounts payable by Owner hereunder are governed by the provisions of Section 8 hereof and state law.
- b) The failure of any of Owner's representations or warranties to be correct in all material respects, or the failure or delay by Owner to perform any of its obligations under the terms or provisions of the Contract Documents, other than with respect to the payment of the Assessment, the Annual Assessment Administrative Fee, or other amount payable by Owner shall constitute a non monetary default hereunder

("Default"). Owner must immediately commence to cure, correct, or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence, but in any event, within the time set forth in paragraph (c) below.

- c) If a Default occurs, prior to exercising any remedies under the Contract Documents or Chapter 29, Agent shall give Owner notice of such Default. If the Default is reasonably capable of being cured within thirty (30) days, Owner shall have such period to effect a cure prior to exercise of remedies by Agent under the Contract Documents or Chapter 29. If the Default is such that it is reasonably capable of being cured, but not within such thirty (30) day period, and Owner (i) initiates corrective action within such thirty (30) day period, and (ii) diligently, continually, and in good faith works to effect a cure as soon as possible, then Owner shall have such additional time as is reasonably necessary to cure the Default prior to exercise of any remedies by Agent. However, in no event shall Agent be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a Default, or if the Default is not cured within one hundred and twenty (120) days after the first notice of Default is given.
- d) Subject to the provisions of paragraph (c), above, if any Default occurs Agent may exercise any or all of the rights and remedies available to it under applicable law, at equity, or as otherwise provided herein. Upon the election of Agent, if there has been no Disbursement, this Contract shall terminate and, except as otherwise expressly provided herein, the parties shall have no further obligations or rights hereunder.
- e) Except as provided in Section 22, any and all costs and expenses incurred by Agent in pursuing its remedies hereunder shall be additional indebtedness of Owner to Agent.
- f) Except as otherwise expressly stated in this Contract or as otherwise provided by applicable law, the rights and remedies of Agent are cumulative, and the exercise of one or more of such rights or remedies shall not preclude the exercise by Agent, at the same time or different times, of any other rights or remedies for the same Default or any other Default. No failure or delay by Agent in asserting any of its rights and remedies as to any Default shall operate as a waiver of any Default or of any such rights or remedies, or deprive Agent of its rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.
- g) Performance of the covenants and conditions imposed upon Owner hereunder with respect to the commencement and completion of the Products shall be excused while and to the extent that, Owner, through no fault or negligence of its own, is prevented from complying therewith by war, riots, strikes, lockouts, action of the elements, accidents, or acts of God beyond the reasonable control of Owner; provided, however, that as soon as the cause or event preventing compliance is removed or ceases to exist the obligations shall be restored to full force and effect and Owner shall immediately resume installation of the Products.

19) Severability Each and every provision of this Contract is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Contract or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Contract, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Contract shall be valid and shall be enforced to the extent permitted by law.

20) Notices All notices and demands shall be given in writing by first class mail, postage prepaid, or by personal delivery (by recognized courier service or otherwise). Notices shall be considered given upon the earlier of (a) personal delivery or (b) two (2) business days following deposit in the United States mail, postage prepaid. Notices shall be addressed as provided in the "Notice Information" section of Exhibit A attached hereto and incorporated herein by this reference for the respective party; provided that if any party gives notice in writing of a change of name or address, notices to such party shall thereafter be given as demanded in that notice.

Notwithstanding anything set forth above, after disbursement of the Disbursement Amount to Owner, all notices regarding the assessment shall be sent only as provided by state law.

- 21) **Attorneys' Fees and Costs** In the event that any action is instituted to enforce payment or performance under this Contract, the parties agree that the non-prevailing party shall be responsible for and shall pay all costs and all attorneys' fees incurred by the prevailing party in enforcing this Contract.
- 22) **No Waiver** No disbursement of the Disbursement Amount based upon inadequate or incorrect information shall constitute a waiver of the right of Agent to receive a refund thereof from Owner.
- 23) **Governing Law** This Contract shall be governed by the substantive law of the State of California, regardless of any law of conflicts to the contrary in any jurisdiction. Any legal action brought under this Contract must be instituted in the Superior Court of the County of San Bernardino, State of California.
- 24) **Assignment by Agent** Agent, at its option, may (i) assign any or all of its rights and obligations under this Contract, and (ii) pledge and assign its right to receive the Assessment and the Annual Assessment Administrative Fee, and any other payments due to Agent hereunder, without obtaining the consent of Owner.
- 25) **Owner Assignment Prohibited** In no event shall Owner assign or transfer any portion of this Contract or Owner's obligations under the Contract without the prior express written consent of Agent, which consent may be granted or withheld in the sole and absolute discretion of the Agent. Sale, transfer, or rental of the Property is not an assignment or transfer of this Contract.
- 26) **Carbon Credits** Owner agrees that any carbon credits or renewable energy credits attributable to the Products shall be owned by Agent (on behalf of the Program).
- 27) **Entire Agreement; Counterparts; Amendment** This Contract, together with the other Contract Documents, is the entire agreement between the parties. Any other agreement related to the Products, and any amendment to this Contract, must be signed in writing by both parties. If there is more than one "Owner," the obligations hereunder of all Owners shall be joint and several.
- This Contract may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.
- 28) **Further Documents** Agent and Owner agree that they shall sign, deliver and if appropriate record any additional documents necessary to effectuate the purposes of this Contract. Upon expiration or termination of this Contract, Agent and Owner agree to shall sign and record any document reasonably necessary to cancel this Contract from the public records as to the Property.
- 29) **Special Termination** Notwithstanding anything to the contrary contained herein, this Contract shall terminate and be of no further force or effect if Owner has submitted to Agent a notice of its decision to cancel this transaction on or prior to the date and time described in the Notice of Right to Cancel which was delivered to Owner upon its execution of this Contract.
- 30) **No Third Party Beneficiary Rights** This Contract is entered into for the sole benefit of Owner and Agent and, subject to the provisions of Sections 13, 14, 15, and 25, no other parties are intended to be direct or incidental beneficiaries of this Contract and no third party shall have any right in, under or to this Contract.
- 31) **Contract Date** The date on which Agent or its representative sends this Contract to the Owner or Owners for execution shall be referred to herein as the "Contract Date."

32) Recordation of Contract Agent may file this Contract for recordation with the County Recorder of the County either as a separate instrument or as a part of the Notice of Assessment within ten (10) days after the last day entered with the signatures below.

Owner(s) must execute and return this Contract to Agent at the address set forth in the “Notice Information” section of Exhibit A hereto so that it is received by Agent not later than _____, 20__. All signatures of the Owner(s) must be notarized by a duly licensed notary.

IN WITNESS WHEREOF , Owner and Agent have entered into this Contract as of the Effective Date.			
Owner 1:		Owner 2:	
[OWNER 1 NAME]		[OWNER 2 NAME]	
<i>Owner 1 Name (Please Print)</i>		<i>Owner 2 Name (Please Print)</i>	
By:		By:	
<i>Owner 1 Signature (Must be Notarized)</i>		<i>Owner 2 Signature (Must be Notarized)</i>	
Date of Execution by Owner 1:		Date of Execution by Owner 2:	
, 20		, 20	
<i>Date</i>	<i>Year</i>	<i>Date</i>	<i>Year</i>

Agent: Executive Director and/or his or her designee
<i>Name (Please Print)</i>
By:
<i>Agent Signature (Must be Notarized)</i>
Date of Execution by Agent:

EXHIBIT A

DESCRIPTION OF PROPERTY, DESCRIPTION OF THE PRODUCTS, AND NOTICE INFORMATION,

Description of Property:

Owner(s) Name(s):

Property Address:

APN:

Associate Member:

Legal Description:

Description of Products:

The Products include the following:

Notice Information:

EXHIBIT B**LIST OF CONTRACT DOCUMENTS, DISBURSEMENT, AND
SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS, INCLUDING PRINCIPAL,
INTEREST AND ANNUAL ASSESSMENT ADMINISTRATIVE FEE****List of Contract Documents:¹**

The Contract shall consist of the following documents:

- This Contract and the exhibits hereto;
- The Application;
- The Funding Request;
- The Assessment Cost and Payment Summary;
- The Notice of Assessment;
- The Payment of Contractual Assessment Required;
- The California HERO Program Report and the Commercial HERO Program Handbook; and
- California HERO Program website located at www.wrcog.cog.ca.us.

Disbursement:

The Maximum Disbursement Amount is \$_____.

The Estimated Disbursement Date will be no later than \$_____.

Schedule of Estimated Maximum Annual Assessment Installments:

The schedule of the estimated maximum Annual Assessment Installments is based upon the following assumptions:

1. Agent disburses the Maximum Disbursement Amount to Owner.
2. Accumulated costs of funds until Owner's first payment of \$_____ will be added to Owner's Disbursement Amount.
3. WRCOG disburses to Owner on the Estimated Disbursement Date. If the actual disbursement occurs prior to July 1, 20__, the Initial Tax Year shall be 20__-20__.
4. The Assessment Interest Rate is ____%.
5. The Annual Percentage Rate (APR) of Owner's assessment is ____%. If the interest due before Owner's first payment of \$_____ was paid in cash at disbursement, Owner's APR would be ____%. APR is the Effective Cost of Credit in consumer loans and real estate loans expressed as a percentage interest rate. The APR is the interest rate the borrower actually pays, including fees required in order to participate in the Program.
6. The total administrative fees and recording fees added to Owner's assessment is \$_____.

¹ The List of Contract Documents may vary depending upon the financing plan being used for a particular parcel. In any event the terms of the Assessment Contract entered into for a particular parcel will govern if there is any conflict between such Assessment Contract and Appendix C.

Tax Year (commencing July 1)	Interest	Principal	Total Principal and Interest	Current Annual Assessment Administrative Fee	Total Annual Assessment Installment
20__ - 20__ *					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
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20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					

*The Estimated Initial Tax Year shown on preceding schedule is based upon the Estimated Disbursement Date. The actual Initial Tax Year will be based upon the actual Disbursement Date. Please see Section 8 b) and d) of the Assessment Contract.

Prepayment Fee and Prepayment Premium Schedule:

Processing Fee: The fee for processing the prepayment of the Assessment in whole or in part shall be \$_____.

Prepayment Premium: The prepayment premium applicable to the principal amount of the Assessment to be prepaid in whole or in part in increments of \$5,000 pursuant to Section 11 of the Assessment Contract shall be determined based upon the next interest payment date on the bond issued for the Assessment occurring not less than 90 days after the date of the prepayment (the "Next Bond Interest Payment Date"). The prepayment premium shall be the percentage of the principal amount of the Assessment to be prepaid as follows:

Next Bond Interest Payment Date	Prepayment Premium
September 2, ____ or March 2, ____	5%

Appendix F

NOTICE OF ASSESSMENT

RECORDING REQUESTED BY &
WHEN RECORDED RETURN TO:

Western Riverside Council of Governments
4080 Lemon Street, 3rd Floor
Riverside, CA 92501

File No: _____

NOTICE OF ASSESSMENT

CALIFORNIA HERO PROGRAM
FOR _____ COUNTY
STATE OF CALIFORNIA

On _____, 201__, the Executive Committee of the Western Riverside Council of Governments ("WRCOG"), County of Riverside, State of California, adopted its Resolution No. ____ (the "Resolution") whereby the Executive Committee approved a report (the "Program Report") prepared by the Executive Director, in accordance with Section 5898.22 of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code ("Chapter 29"), established the California HERO Program (the "Program") to be implemented as provided in the Program Report, confirmed that voluntary contractual assessments may be levied against parcels within the jurisdictions participating in the Program (the "Program Area") within the parameters of the Program Report to finance certain distributed generation renewable energy sources and/or energy efficiency improvements, including water efficiency improvements (the "Improvements").

Pursuant to the requirements of Sections 5898.32 of the Streets and Highways Code, the undersigned Secretary of the Executive Committee of WRCOG, at the direction of such Executive Committee, HEREBY GIVES NOTICE that pursuant to Chapter 29, the Resolution, and the Program Report, as initially approved and as amended to date, WRCOG and the record owner(s) (the "Record Owners") of the real property described on Exhibit "A" to this Notice, attached hereto and incorporated herein by reference (the "Property") have entered into an assessment contract with WRCOG (the "Assessment Contract"), a copy of which is contained in Exhibit "B" to this Notice, attached and incorporated herein by this reference. Pursuant to the Assessment Contract, WRCOG is making a disbursement in the principal amount of \$_____ (the "Disbursement") to the Record Owners of the Property to finance the acquisition and installation and/or construction on the Property of the Improvements identified in the Assessment Contract. Pursuant to the Assessment Contract, the Record Owners agree that the Property is subject to an assessment levied against the Property pursuant to Chapter 29 in the principal amount of the Disbursement, as provided in the Assessment Contract, together with fees and interest thereon, for a total Assessment in the amount of \$_____ (the "Assessment") as set forth in the payment schedule on Exhibit "____" to the Assessment Contract. In addition, so long as the Assessment is unpaid, the Record Owners agree that the Property is subject to an annual administrative assessment levied against the Property to pay costs

of WRCOG which result from the administration and collection of the Assessment and from the administration or registration of any associated bonds or other financing arrangement, as described in the Report, and from the administration of any reserve fund and other related funds (the "Annual Administrative Assessment"). The Annual Administrative Assessment shall not exceed \$_____ per annum.

NOTICE IS FURTHER GIVEN that upon the recording of this notice in the office of the County Recorder, the Assessment shall become a lien upon the Property. In addition, the Annual Administrative Assessment shall become a lien upon the Property at the same time as property taxes upon the Property become a lien each year.

DATED: ____, 201__

Secretary to WRCOG Executive Committee
Western Riverside Council of Governments

Appendix G

PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED

RECORDING REQUESTED BY &
WHEN RECORDED RETURN TO:

Western Riverside Council of Governments
4080 Lemon St., 3rd Floor, MS 1032
Riverside, CA 92501-3609

File No: _____

PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED

Pursuant to the requirements of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code, as amended, commencing with Section 5898.10 (the "Act"), including without limitation Section 5898.24(d) of the Act, and in furtherance of Section 1102.6b of the California Civil Code, Western Riverside Council of Governments ("WRCOG") hereby provides notice of the levy and collection by WRCOG of a contractual assessment under the California HERO Program (the "Program"), established and authorized pursuant to the Act. Pursuant to the Act and the Program, WRCOG and the current owner(s) described below (the "Owners") of the real property (the "Property") described herein have entered into that certain assessment contract entitled, "Assessment Contract," dated as of _____, 20__, by and between WRCOG and the Owners (the "Assessment Contract"). Pursuant to the Assessment Contract and the Act, the Owners have requested and voluntarily agreed to WRCOG's imposition of a contractual assessment against the Property (the "Contractual Assessment"), which is generally collected by the County of _____, on behalf of WRCOG, through the consolidated property tax bill.

Current Owner(s): _____.

Legal Description of Property and Assessor's Parcel Number: See Exhibit "A" attached hereto.

Annual Amount of Contractual Assessment: See Exhibit "B" attached hereto.

Expiration of the Contractual Assessment: The date upon which the Contractual Assessment and all accrued interest thereon, together with any applicable penalties, costs, fees and other charges, have been paid

Purpose for Which Funds Will Be Used: The funds from the Contractual Assessment to be paid to WRCOG or its designee and shall finance the acquisition and construction and/or installation on the Property of the renewable energy system(s), energy efficiency and/or water efficiency improvement(s) which are permanently affixed to the Property and identified in the Assessment Contract (the "Work").

Contact Information: More information regarding the Contractual Assessment may be obtained by contacting WRCOG at 4080 Lemon Street, 3rd Floor, Riverside, CA 92501, tel: (951) 955-7985.

Program Administrator

Dated: _____, 20__

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**SCHEDULE OF ASSESSMENT INSTALLMENTS, INTEREST THEREON, AND THE MAXIMUM
ADMINISTRATIVE**

Tax Year	Interest	Principal	Total Loan Payment	Maximum Annual Administrative Assessment Expense	Total Maximum Contractual Assessment
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					